AFRASIA MINERAL FIELDS INC.

Financial Statements

May 31, 2013

Expressed in Canadian Dollars

AFRASIA MINERAL FIELDS INC.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Afrasia Mineral Fields Inc.

We have audited the accompanying financial statements of Afrasia Mineral Fields Inc., which comprise the statements of financial position as at May 31, 2013 and 2012, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Afrasia Mineral Fields Inc. as at May 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Afrasia Mineral Fields Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

September 16, 2013

AFRASIA MINERAL FIELDS INC.

Statements of Financial Position
May 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Note	**2013**	2012
Assets			
Current assets			
Cash and cash equivalents	3	**$ 18,531**	$ 104,211
Receivables	4	**13,290**	9,348
Prepaids		**417**	–
		32,238	113,559
Property and equipment	5	**3,012**	4,568
		$ 35,250	$ 118,127
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities			
Trade payables and accrued liabilities	6	**$ 14,981**	$ 16,327
Due to related parties	8	**89,814**	43,120
		104,795	59,447
Shareholders' Equity (Deficiency)			
Share capital	7	**8,349,105**	8,349,105
Reserves	7	**204,669**	204,669
Deficit		**(8,623,319)**	(8,495,094)
		(69,545)	58,680
		$ 35,250	$ 118,127

Nature and continuance of operations (Note 1)

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the board of directors:

"Praveen Varshney"	*"Peeyush Varshney"*
Praveen Varshney, Director	Peeyush Varshney, Director

AFRASIA MINERAL FIELDS INC.

Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital				
	Number of Shares	Amount	Reserves	Deficit	Total Equity
Balance, May 31, 2011	20,026,663	$ 8,349,105	$ 204,669	$ (8,335,310)	$ 218,464
Net loss for the year	–	–	–	(159,784)	(159,784)
Balance, May 31, 2012	20,026,663	8,349,105	204,669	(8,495,094)	58,680
Net loss for the year	–	–	–	(128,225)	(128,225)
Balance, May 31, 2013	**20,026,663**	**$ 8,349,105**	**$ 204,669**	**$ (8,623,319)**	**$ (69,545)**

The accompanying notes form an integral part of these financial statements.

AFRASIA MINERAL FIELDS INC.

Statements of Comprehensive Loss
For the years ended May 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Note		2013		2012
Expenses:					
Amortization	5	$	**1,556**	$	1,074
Consulting fees			**–**		10,687
Management fees	8		**30,000**		30,000
Office and administration	8		**41,316**		44,144
Professional fees			**14,123**		14,905
Regulatory and transfer agent fees			**9,401**		10,839
Rent			**28,031**		25,541
Travel and promotion			**646**		17,870
Wages and benefits			**3,545**		5,999
Net loss for the year			**(128,618)**		(161,059)
Other items:					
Interest income			**393**		1,275
			393		1,275
Net and comprehensive loss		**$**	**(128,225)**	$	(159,784)
Loss per common share Basic and diluted		**$**	**(0.006)**	$	(0.008)
Weighted average number of common shares outstanding			**20,026,663**		20,026,663

The accompanying notes form an integral part of these financial statements.

AFRASIA MINERAL FIELDS INC.

Statements of Cash Flows
For the years ended May 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Note	**2013**	2012
Cash provided by (used in):			
Operations:			
Net loss for the year		**$ (128,225)**	$ (159,784)
Items not involving cash:			
Amortization	5	**1,556**	1,074
Changes in non-cash operating working capital items:			
Receivables		**(3,942)**	(2,921)
Prepaids		**(417)**	–
Trade payable and accrued liabilities		**(1,346)**	(295)
Due to related parties		**46,694**	42,989
		(85,680)	(118,937)
Investing:			
Acquisition of property and equipment	5	**–**	(4,658)
Change in cash and cash equivalents		**(85,680)**	(123,595)
Cash and cash equivalents, beginning		**104,211**	227,806
Cash and cash equivalents, ending		**$ 18,531**	$ 104,211
Supplemental cash flow information:			
Interest paid		**$ –**	$ –
Income taxes paid		**$ –**	$ –

The accompanying notes form an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Afrasia Mineral Fields Inc. (the "Company") was incorporated on June 24, 1986 under the laws of British Columbia. The Company was listed on the TSX Venture Exchange ("TSX-V") under the symbol "AFS" and on September 29, 2008 the Company's listing was transferred from the TSX-V to the NEX board of the TSX-V. Effectively, the trading symbol for the Company changed from "AFS" to AFS.H".

The Company's head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 700-595 Burrard St., PO Box 49290, Vancouver, BC V7X 1S8.

On January 11, 2013, the Company entered into a Letter of Intent ("LOI"), with CareCorp Holdings BC Ltd. ("CareCorp"), a private company that provides care services for seniors residing in long-term nursing homes. CareCorp's business activities are carried out by CareCorp and two related private companies. However, the LOI terminated as both parties were unable to negotiate and enter into a definitive agreement by February 28, 2013, the expiry date of the LOI.

Pursuant to the LOI, the Company would have acquired all of the issued and outstanding shares of CareCorp in exchange for common shares of the Company in a reverse takeover transaction (the "RTO") such that CareCorp would have become a wholly-owned subsidiary of the Company. As part of and prior to closing the RTO, the Company anticipated a consolidation of its issued and outstanding common shares on a 2.5:1 basis.

Additionally, the Company contemplated the completion of a financing to raise gross proceeds of at least $375,000 prior to the termination of the LOI.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. To date, the Company has not generated any significant revenues and has not raised funds in the last twelve months. The Company has an accumulated deficit of $8,623,319 including a loss for the year ended May, 2013 of $128,225 (2012 - $159,784). These uncertainties may cast significant doubt upon the company's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability and classification of asset and liabilities which might be necessary should the Company be unable to continue in existence.

The Company has never paid dividends.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial statements were authorized for issue on September 16, 2013 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards ("IFRS")

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Basis of presentation

The financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Significant accounting judgements, estimates and assumptions

The preparation of these 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 the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The recognition of deferred tax assets and liabilities.

ii) The recoverability of receivables and prepayments those are included in the statements of financial position.

iii) The estimated useful lives of property and equipment which are included in the statements of financial position and the related depreciation included in the statements of comprehensive loss.

Financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, and available-for-sale ("AFS"). The Company classifies its financial liabilities as either at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Transaction costs are expensed as incurred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the transaction value, including transaction costs and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. Held-to-maturity investments are recognized on a trade-date basis and initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial instruments (cont'd)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Available-for-sale financial assets are measured initially at their fair value including transaction costs directly attributable to the acquisition. They are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

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

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial instruments (cont'd)

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

The Company's financial instruments at May 31, 2013 are as follows:

	Loans & receivables	*Available for sale*	*Fair Value through Profit or Loss*	*Other financial liabilities*
Financial assets				
Cash	$ –	$ –	$ 18,531	$ –
Receivables	13,290	–	–	–
Financial liabilities				
Trade payables	–	–	–	14,981
Due to related parties	–	–	–	89,814
	$ 13,290	$ –	$ 18,531	$ 104,795

Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Cash and cash equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid short-term investments with terms to maturity at the point of purchase greater than 90 days, but not more than 1 year, and that are readily convertible to contracted amounts of cash.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and impairment losses. Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of property and equipment.

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Property and equipment are recorded at cost. Amortization is recorded using the following rates and methods:

Computer	–	55%	declining balance method
Furniture & equipment	–	20%	declining balance method
Leasehold improvements	–	5 years	straight line method

Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to discounted future net cash flows expected to be generated by the asset. When the carrying value exceeds such cash flows, an impairment charge is recognized for the excess.

Units

The proceeds from the issue of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Provisions

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

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

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligation between related parties.

Share-based payments

The Company operates an employee share option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. To date, share-based payments consist entirely of share options. For share options, the cost of the option is expensed or capitalized as an addition to non-monetary assets depending on the reason for the grant. The corresponding amount is recorded to the option reserve. The fair value of options granted is determined using a Black–Scholes pricing model which incorporates all market vesting conditions.

The number of share options expected to vest is adjusted on the date of grant such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax expense or recovery is recorded 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. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Income taxes (cont'd)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not provide for the excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Accounting standards issued but not yet effective

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its financial statements.

(a) IFRS 9: New standard that replaces IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2015;
(b) IFRS 10: New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities, effective for annual periods beginning on or after January 1, 2013;
(c) IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement, effective for annual periods beginning on or after January 1, 2013;
(d) IFRS 12: New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39: Effective for annual periods beginning on or after January 1, 2013;
(e) IFRS 13: New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013;
(f) IAS 1 (Amendment) : Presentation of other comprehensive income, effective for annual periods beginning on or after January 1, 2013;
(g) IAS 28 (Amendment) : New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures, effective for annual periods beginning on or after January 1, 2013; and
(h) IAS 32 Amendment to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.

(Expressed in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of:

		2013		2012
Bank deposits	$	18,531	$	4,211
Guaranteed investment certificate		–		100,000
	$	18,531	$	104,211

Cash equivalents consists of a highly liquid Canadian dollar denominated guaranteed investment certificate ("GIC"), with a term to maturity at the point of purchase greater than 90 days, but not more than 1 year. The GIC earned a variable annual interest of approximately 0.95%, and matured on December 6, 2012. The counter-party was a financial institution.

As at May 31, 2013, the Company accrued $Nil (2012 - $456) in interest receivable on the GIC as the GIC was fully redeemed during the year.

4. RECEIVABLES

		2013		2012
Government Sales Tax credits	$	13,056	$	8,492
Interest accrued on GIC (Note 3)		–		456
Other receivables (Note 8(c))		234		400
	$	13,290	$	9,348

5. PROPERTY AND EQUIPMENT

	Computer	Equipment	Furniture	Leasehold improvements	Total
Cost:					
At May 31, 2011	$ –	$ 5,063	$ 1,772	$ 2,522	$ 9,357
Acquisition	2,350	–	–	2,308	4,658
Disposal	–	–	–	(2,522)	(2,522)
At May 31, 2012 and 2013	2,350	5,063	1,772	2,308	11,493
Amortization:					
At May 31, 2011	–	4,497	1,354	2,522	8,373
Amortization	646	113	84	231	1,074
Eliminated on disposal	–	–	–	(2,522)	(2,522)
At May 31, 2012	646	4,610	1,438	231	6,925
Amortization	937	91	67	462	1,557
At May 31, 2013	1,583	4,701	1,505	693	8,482

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT (cont'd)

	Computer	Equipment	Furniture	Leasehold improvements	Total
Net book value:					
At May 31, 2011	$ –	$ 566	$ 418	$ –	$ 984
At May 31, 2012	$ 1,704	$ 453	$ 334	$ 2,077	$ 4,568
At May 31, 2013	$ 767	$ 362	$ 267	$ 1,615	$ 3,011

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	2013	2012
Trade payables	$ 480	$ 199
Accrued liabilities	14,501	16,128
	$ 14,981	$ 16,327

7. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued – common shares

There were no share issuances during the years ended May 31, 2013 and 2012.

(c) Share options

The Company maintains a 10% rolling share option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the Exchange policies where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options.

There were no options granted or outstanding at May 31, 2013 and 2012.

A summary of the status of the options outstanding is as follows:

	May 31, 2013		May 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	–	$ –	214,000	$ 0.35
Expired	–	–	(214,000)	(0.35)
Options outstanding and exercisable, end of year	–	$ –	–	$ –

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (cont'd)

(d) Warrants

There were no share purchase warrants outstanding at May 31, 2013 and 2012.

A summary of the status of warrants outstanding is as follows:

	May 31, 2013		May 31, 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	–	$ –	200,000	$ 0.22
Expired	–	–	(200,000)	(0.22)
Warrants outstanding and exercisable, end of year	–	$ –	–	$ –

8. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers. Key management personnel compensation comprised:

	2013	2012
Administrative services (a)	$ 36,000	$ 36,000
Management services (a)	30,000	30,000
	$ 66,000	$ 66,000

(a) On February 1, 2009, the Company entered into a management and administrative agreement with Varshney Capital Corp. ("VCC"), a company controlled by two common directors, whereby the Company agreed to pay management and administrative fees of $2,500 and $3,000 per month, respectively.

During the year ended May 31, 2013, the Company incurred $30,000 (2012 – $30,000) for management fees and $36,000 (2012 – $36,000) for administrative fees to VCC.

As at May 31, 2013, $89,670 (2012 - $43,120) was due to VCC for management and administrative fees.

(b) As at May 31, 2013, a total of $234 (2012 - $400) was due from companies with directors and officers in common. The amounts resulted from recovery of expenses, were included in accounts receivable and repaid subsequent to May 31, 2013.

(Expressed in Canadian Dollars)

9. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying stated of comprehensive loss is provided below:

Years ended May 31,	2013	2012
Accounting Loss before income taxes	$(128,225)	$(159,784)
Combined federal and provincial statutory income tax rate	25.2%	25.9%
Income tax recovery at statutory tax rates	$ (32,270)	$ (41,344)
Non-deductible expenditures	32	244
Change in statutory rates and tax credits	(23,307)	11,390
Changes in unrecognized deductible temporary differences and other	55,545	29,710
Total	$ -	$ -

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

Significant components of deferred tax assets that have not been set up are as follows:

As of May 31,	2013	2012
Share issue costs	$ 1,000	$ 2,000
Non-Capital losses	410,000	361,000
Capital assets	6,000	5,000
Mineral properties	196,000	188,000
Total	$ 613,000	$ 556,000

Tax attributes are subject to review and potential adjustment by tax authorities.

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statements of financial position are as follows:

	As of May 31,			
	2013	Expiry dates	2012	Expiry dates
Share issue costs	$ 4,000	2014 to 2015	$ 8,000	2013 to 2015
Non-Capital losses	$ 1,576,000	2014 to 2033	$ 1,445,000	2014 to 2032
Capital assets	$ 23,000	Not applicable	$ 19,000	Not applicable
Mineral properties	$ 754,000	Not applicable	$ 754,000	Not applicable

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

At May 31, 2013 and 2012, the Company's financial instruments consist of cash and cash equivalents, receivables, trade payables and accrued liabilities and due to related parties. There were no transfers between levels during the year ended May 31, 2013.

Cash and cash equivalents are carried at fair value using a Level 1 fair value measurement. The carrying value of receivables and trade payables and accrued liabilities approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents. As a majority of the Company's cash is held by a Canadian bank, there is a concentration of credit risk with one bank in Canada. While there is concentration of risk holding all funds with one institution, this risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at May 31, 2013, the Company has cash on hand of $18,531. Management assesses credit risk of cash and cash equivalents as low.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist of refundable government sales taxes of $13,056, amounts due from related parties of $234.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate to be minimal.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. As at May 31, 2013, the Company had a working capital deficiency of $72,557 (2012 – working capital of $54,112). The Company has been successful in re-negotiating its indebtedness however there is no assurance the success of these effort will continue.

11. CAPITAL DISCLOSURE

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements.