MONARCH ENERGY LIMITED

INTERIM FINANCIAL STATEMENTS (PREPARED BY MANAGEMENT)

FOR THE THREE MONTH PERIODS ENDED DECEMBER 31, 2013 AND 2012

INDEX

MONARCH ENERGY LIMITED
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
DECEMBER 31, 2013

The accompanying interim unaudited financial statements of Monarch Energy Limited (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's 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 ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the financial statements together with other financial information. The Audit Committee, on behalf of the Board of Directors, meets with management to review the internal controls over the financial reporting process, the financial statements together with other financial information of the Company, and the auditor's report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements 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.

The accompanying interim unaudited financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

MONARCH ENERGY LIMITED
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT
(Expressed in Canadian dollars)

		December 31, 2013		September 30, 2013
ASSETS				
Current				
Cash and cash equivalents	**$**	**2,535**	$	9,574
Amounts receivable		**315**		315
GST/HST receivable		**1,202**		-
		4,052		9,889
Property and equipment (Note 4)		**705**		750
Reclamation bonds (Note 6)		**47,884**		41,894
Asset retirement obligation (Note 7)		**28,854**		28,854
	$	**81,495**	$	81,387
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**64,931**	$	50,722
GST/HST payable		**-**		2,154
Due to related parties (Note 9)		**77,390**		119,964
InterCompany - ChroMedX (Note 9(b))		**16,000**		-
		158,321		172,840
Provision for well abandonment costs (Note 7)		**28,854**		28,854
		187,175		201,694
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Capital stock (Note 8(a))		**19,466,341**		19,466,341
Contributed surplus (Note 8(b))		**1,636,009**		1,636,009
Deficit		**(21,208,030)**		(21,222,657)
		(105,680)		(120,307)
	$	**81,495**	$	81,387

NATURE OPERATIONS AND GOING CONCERN, (Note 1)

Approved on behalf of the board:

"George Langdon" President and Director
"Michael Turko" Director

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

MONARCH ENERGY LIMITED
INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTH PERIODS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

		Three Months		
		2013		2012
Revenue				
Petroleum and natural gas sales	**$**	**-**	$	3,348
Direct costs				
Production expenses		**-**		3,385
		-		(37)
Expenses				
Consulting fees (Note 9)		**18,000**		18,000
Depreciation		**46**		65
Management fees (Note 9)		**10,500**		10,500
Office, general and administrative		**4,659**		3,484
Professional fees		**11,707**		274
Transfer agent and filing fees		**7,566**		2,384
Forgiveness of loan payable and accounts payable (Note 9)		**(67,000)**		-
Income (loss) before undernoted items		**14,522**		(34,707)
Interest income		**105**		7
Net comprehensive income (loss) for the period	**$**	**14,627**	$	(34,737)
Income (loss) per share				
Basic and fully diluted (Note 12)	**$**	**(0.00)**	$	0.00
Weighted average number of common shares outstanding, basic and diluted		**101,851,860**		101,851,860

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

MONARCH ENERGY LIMITED
INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE THREE MONTH PERIODS ENDED DECEMBER 31, 2013 and 2012
(Expressed in Canadian dollars)

	Capital Stock Number of shares	Capital Stock Amount	Contributed Surplus	Deficit	Total
Balance, October 1, 2012	101,851,860	$ 19,466,341	$ 1,636,009	$ (21,048,428)	$ 53,922
Net loss for the period	-	-	-	(34,737)	(34,737)
Balance, December 31, 2012	101,851,860	$ 19,466,341	$ 1,636,009	$ (21,083,165)	$ 19,185
Balance, October 1, 2013	101,851,860	$ 19,466,341	$ 1,636,009	$ (21,222,657)	$ (120,307)
Net income for the period	-	-	-	14,627	14,627
Balance, December 31, 2013	101,851,860	$ 19,466,341	$ 1,636,009	$ (21,208,030)	$ (105,680)

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

MONARCH ENERGY LIMITED
INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

	Three Months	
	2013	2012
Cash flows from operating activities		
Net income (loss) for the period	**$ 14,627**	$ (34,737)
Adjustments not effecting cash:		
Depreciation	**46**	65
Forgiveness of loan payable and accounts payable	**(67,000)**	-
Changes in non-cash operations working capital		
Amounts receivable	**(3,356)**	(2,609)
Reclamation bonds	**(5,990)**	-
Accounts payable and accrued liabilities	**9,208**	6,229
Cash flows used in operating activities	**(52,465)**	(31,052)
Cash flows from investing activities		
Amounts loaned from intercompany	**16,000**	-
Amounts loaned from related party	**29,426**	23,950
Cash flows provided by investing activities	**45,426**	23,950
Net increase (decrease) in cash and cash equivalents	**(7,039)**	(7,102)
Cash and cash equivalents, beginning of period	**9,574**	27,601
Cash and cash equivalents, end of period	**$ 2,535**	$ 20,499

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Monarch Energy Limited (the "Company") was incorporated in British Columbia and is engaged in the exploration and evaluation of mineral properties. The principal business address of the Company is 65 Queen Street West, Toronto, Ontario, M5H 2M5.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows and also has negative working capital of $154,269 as at December 31, 2013. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

On December 20, 2013, the Company entered into a share exchange agreement with ChroMedX Ltd.. ("ChroMedX") and ChroMedX Inc. pursuant to which the Company has agreed to acquire from the ChroMedX shareholders all of the issued and outstanding shares of ChroMedX in exchange for an equal number of common shares in the capital of the Company. It is expected, and as a condition of completion of the acquisition, that ChroMedX will be the registered holder of certain patents and patents pending in the biomedical technology field currently held by ChroMedX Inc..

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the interim statement of financial position.

2. BASIS OF PRESENTATION

Statement of Compliance

The interim financial statements have been prepared in accordance with International Financial Reporting Standards("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim financial statements of the Company for the period ended December 31, 2013 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on February 28, 2014.

Basis of Measurement

These interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

The interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Use of Estimates and Judgement

The preparation of these interim financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the interim financial statements and related notes to the interim financial statements. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

Asset retirement obligation

Management has exercised their judgment in determining the costs to suspend and eventually abandon a well currently under ownership. In order to setup a provision, management had to also determine their best estimate of what the most appropriate pre-tax discount rate would be; one that reflects current market assessments of the time value of money and the risks specific to the abandonment costs.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management has determined that the functional currency of the Company is the Canadian dollar.

Evaluation of going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all periods presented in these interim financial statements.

Exploration and Evaluation Assets

Pre-exploration costs are expensed as incurred. Costs to acquire exploration and evaluation assets are capitalized as incurred. Costs related to the exploration and evaluation of mineral rights are capitalized as incurred. The Company considers mineral rights to be tangible assets and accordingly, the Company capitalizes certain costs related to the acquisition of mineral rights.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The Company has written off all of its exploration and evaluation assets and is not currently pursing any exploration and evaluation projects.

Impairment

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Property and Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Computer equipment	45%
Office equipment	20%

Share-based Payment

The Company accounts for share-based payment using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

For transactions with employees and others providing similar services, the Company measures the fair value of the services received by reference to the fair value of the equity instruments granted. For transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Foreign Currency Translation

The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	**Category**	**Measurement**
Cash and cash equivalents	FVTPL	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Due from related party	Loans and receivables	Amortized cost
Reclamation bonds	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured at fair value using Level 1 inputs.

Revenue Recognition

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue from oil and gas operations is recognized when oil and natural gas are shipped, title passes and collection of the sale is reasonably assured.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments that are readily convertible to known amounts of cash subject to significant risk of changes in value. As at December 31, 2013 and September 30, 2013, the Company has no cash equivalents on hand.

Petroleum and Natural Gas Properties

All costs directly associated with the development of oil and natural gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure costs and transfers of exploration and evaluation assets.

Costs accumulated within each area are depleted using the unit-of-production method based on proved plus probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves.

For divestitures of properties, a gain or loss is recognized in net earnings. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in net earnings.

Income Taxes

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

Deferred tax 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.

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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

Basic and Diluted Income (Loss) per Share

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted income (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted income (loss) per share is the same as basic income (loss) per share.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive income (loss) is the same as net income (loss).

Recent Accounting Pronouncements

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provision. The Company conducted a review of each new standard and determined the adoption of the below standards did not result in any change to the condensed interim financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements was issued by the IASB to replace IAS 27, Consolidated and Separate Financial Statement and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

IFRS 11 Joint Arrangements

IFRS 11, Joint Arrangements supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by joint venture partners. IFRS 11 requires a joint venture partner to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the joint venture partners will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures.

(Expressed in Canadian dollars)

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 Disclosures of Interests in Other Entities was issued by the IASB to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities.

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

New Accounting Standards issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments was issued by the IASB and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

4. PROPERTY AND EQUIPMENT

	Computer equipment	Office equipment	Total
Cost			
Balance, October 1 , 2011	$ 5,264	$ 2,679	$ 7,943
Balance, September 30, 2012	$ 5,264	$ 2,679	$ 7,943
Balance, September 30, 2013	$ 5,264	$ 2,679	$ 7,943
Balance, December 31, 2013	$ 5,264	$ 2,679	$ 7,943
Accumulated Depreciation			
Balance, October 1, 2011	$ 4,833	$ 1,710	$ 6,543
Depreciation for the year	194	194	388
Balance, September 30, 2012	$ 5,027	$ 1,904	$ 6,931
Depreciation for the year	107	155	262
Balance, September 30, 2013	$ 5,134	$ 2,059	$ 7,193
Depreciation for the period	$ 14	$ 31	$ 45
Balance, December 31, 2013	$ 5,148	$ 2,090	$ 7,238
Carrying Amounts			
As at October 1, 2011	$ 431	$ 969	$ 1,400
As at September 30, 2012	$ 237	$ 775	$ 1,012
As at September 30, 2013	$ 130	$ 620	$ 750
As at December 31, 2013	$ 116	$ 589	$ 705

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

The Company held an option agreement to earn up to 70% in a Property. However the Company had decided to let those claims lapse in 2012 as it was their decision not to further pursue the property and as a result, all costs associated with the property were written off to operations in fiscal 2012.

6. RECLAMATION BONDS

The Company holds reclamation bonds with the Alberta Energy Regulator as required by section 1.100(2) of the Oil and Gas Conservation Regulations and Directive 006: License Liability Rating Program and License Transfer Process. The reclamation bonds are held for the purposes of the future well abandonment (note 7).

7. ASSET RETIREMENT OBLIGATION

During 2013, the Company set up a provision to close and abandon a well using a discount rate of 5%. The Company expects to abandon the well in 10 years. The provision is capitalized as an asset retirement obligation in the statement of financial position.

8. CAPITAL STOCK

(a) Common shares

Authorized

The authorized capital stock of the Company consists of an unlimited number of common shares.

No shares were issued during the period ended December 31, 2013.

(b) Stock option plan and share-based compensation

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price, minimum price, or a discounted price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years. Options issued to consultants vest at 25% every three months. Options to directors and employees fully vest immediately upon granting but the common shares on exercise are subject to a four month hold period from the date of exercise.

Compensation costs have been determined based on the fair value of the options at the grant date using the Black-Scholes option-pricing model. Compensation expense of $Nil was recorded in the statement of operations and comprehensive income (loss) during the period ended December 31, 2013 (2012 - $Nil).

The following table summarizes information concerning the Company's stock options outstanding as at December 31, 2013:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable - September 30, 2012 and September 30, 2013	5,300,000	$ 0.10
Cancelled	(300,000)	0.10
Outstanding as at December 31, 2013	**5,000,000**	**$ 0.10**

No stock options were granted during the period ended December 31, 2013.

(Expressed in Canadian dollars)

The following common share purchase options are outstanding at December 31, 2013:

Date of Grant	Number of options outstanding and exercisable	Exercise Price	Weighted Average remaining life (years)	Expiry Date
February 1, 2011	5,000,000	$ 0.10	2.09	February 1, 2016
	5,000,000			

(c) **Warrants**

The Company had no outstanding share purchase warrants as at December 31, 2013.

9. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	December 31, 2013	December 31, 2012
Short-term benefits*	$ 28,500	$ 28,500

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in consulting fees and management fees.

There were no transactions with other related parties during the period ended December 31, 2013.

As at December 31, 2013, amounts due to related parties consist of $77,390 (September 31, 2013 - $119,964) to companies controlled by officers and directors of the Company.

During the period ended December 31, 2013, the Company has negotiated with certain directors and an officer of the Company for the forgiveness agreement in the amount of $67,000.

During the period, ChroMedX advanced $16,000 to the Company. The amount is non-interest bearing and without specified terms of repayment.

10. FINANCIAL RISK FACTORS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, due from related party, reclamation bonds, accounts payable and accrued liabilities, and amounts due to related parties. The fair value of the Company's receivables, due from related party, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's cash and cash equivalents are recorded at fair value, under the fair value hierarchy, based on level one quoted prices in active markets for identical assets or liabilities. The Company's other financial instrument, being reclamation bonds, are measured at amortized cost.

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

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

a) Interest Rate Risk

The Company has cash balances, and is not at a significant risk to fluctuating interest rates. 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. As of December 31, 2013 , the Company did not have any investments in investment-grade short-term deposit certificates.

b) Commodity Price Risk

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. Gold, copper and other metal prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control.

c) Foreign currency risk

As at December 31, 2013, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. During the year ended September 30, 2011, the Company sold its subsidiaries in the United Kingdom. As a result, the Company does not believe it has significant foreign currency risk.

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity is derived from its common stock issuances. These fund are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents.

As at December 31, 2013, the Company held cash of $2,535 to settle current liabilities of $158,321. The Company expects to fund these liabilities through the issuance of capital stock over the coming year.

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. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company has reduced its credit risk by investing its cash equivalents with a Canadian chartered bank.

11. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its capital stock. As at December 31, 2013 the Company's capital stock was $19,466,341.

There were no changes in the Company's approach to capital management during the period ended December 31, 2013 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;

b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and

c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company's capital structure includes components of shareholders' equity.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

12. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the year. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for the period ended December 31, 2013 and 2012, this would be anti-dilutive.