ACREX VENTURES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2013 AND 2012

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Acrex Ventures Ltd.

We have audited the accompanying consolidated financial statements of Acrex Ventures Ltd. which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended and the related notes comprising 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 as issued by the International Accounting Standards Board, 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the 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 our 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, we consider 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.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Acrex Ventures Ltd. as at December 31, 2013 and 2012, and its financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(b) to these consolidated financial statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of Acrex Ventures Ltd. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
April 4, 2014

ACREX VENTURES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013 AND 2012

(Expressed in Canadian Dollars)

	2013	2012
ASSETS		
Current		
Cash and cash equivalents (Note 4)	$ 317,200	$ 657,559
Marketable securities (Note 5)	104,345	593,093
Amounts receivable (Note 9)	9,000	–
GST/HST recoverable	2,181	5,376
Prepaid expenses	5,633	5,668
	438,359	1,261,696
Reclamation bond	12,000	12,000
Mineral properties exploration (Note 6)	233,539	216,909
	$ 683,898	$ 1,490,605
LIABILITIES		
Current		
Accounts payable and accrued expenses (Note 9)	$ 23,092	$ 50,810
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	9,064,279	9,064,279
Contributed surplus	773,420	770,506
Deficit	(9,176,893)	(8,394,990)
	660,806	1,439,795
	$ 683,898	$ 1,490,605

Approved on behalf of the Board on April 2, 2014:

"Malcolm Powell" — Malcolm Powell, Director

"Carl Jonsson" — Carl Jonsson, Director

(The Accompanying Notes form an Integral Part of These Consolidated Financial Statements)

ACREX VENTURES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in Canadian Dollars)

	2013	2012
EXPENSES		
Management fees	$ 120,000	$ 112,000
Investor relations	69,002	64,105
Accounting and audit fees	30,750	37,100
Promotion and travel	25,307	27,620
Office and general	20,690	25,878
Rent	20,158	16,242
Filing fees	13,986	12,150
Legal	13,275	24,770
Consulting	11,000	4,480
Transfer agent fees	7,765	7,401
Share-based compensation (Note 8)	2,914	9,889
Advertising	808	5,178
	335,655	346,813
LOSS BEFORE OTHER ITEMS	(335,655)	(346,813)
OTHER ITEMS		
Interest income, net	5,089	5,599
Other income	602	–
Gain on sale of mineral property	–	72,454
Loss on sale of marketable securities (Note 5)	(76,340)	–
Unrealized loss on marketable securities (Note 5)	(375,599)	(259,678)
	(446,248)	(181,625)
NET LOSS AND COMPREHENSIVE LOSS	$ (781,903)	$ (528,438)
LOSS PER SHARE – BASIC AND DILUTED	$ (0.02)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	40,760,447	40,760,447

(The Accompanying Notes form an Integral Part of These Consolidated Financial Statements)

ACREX VENTURES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in Canadian Dollars)

	2013	2012
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	$ (781,903)	$ (528,438)
Items not involving cash:		
Share-based compensation	2,914	9,889
Gain on sale of mineral property	–	(72,454)
Unrealized loss on marketable securities	375,599	259,678
Loss on sale of marketable securities	76,340	–
	(327,050)	(331,325)
Changes in non-cash working capital balances:		
Decrease in GST/HST recoverable	3,195	1,668
Increase in amounts receivable	(9,000)	–
Decrease (increase) in prepaid expenses	35	(1,395)
(Decrease) increase in accounts payable and accrued liabilities	(27,718)	14,379
	(360,538)	(316,673)
FINANCING ACTIVITY		
Issuance of shares	–	–
INVESTING ACTIVITIES		
Mineral properties acquisition and exploration	(16,630)	(17,425)
Increase in reclamation bond	–	(7,000)
B.C. mining and exploration tax credit received	–	62,126
Proceeds from sale of marketable securities	36,809	–
Proceeds from sale of mineral property	–	500,000
	20,179	537,701
(DECREASE) INCREASE IN CASH	(340,359)	221,028
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	657,559	436,531
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 317,200	$ 657,559
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	$ –	$ –
Income taxes	$ –	$ –
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Shares received on sale of mineral properties	$ –	$ 840,000

(The Accompanying Notes form an Integral Part of These Consolidated Financial Statements)

ACREX VENTURES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Deficit	Total
As at December 31, 2011	40,760,447	$ 9,064,279	$ 760,617	$ (7,866,552)	$ 1,958,344
Share-based compensation	–	–	9,889	–	9,889
Net loss for the year	–	–	–	(528,438)	(528,438)
As at December 31, 2012	40,760,447	$ 9,064,279	$ 770,506	$ (8,394,990)	$ 1,439,795
Share-based compensation	–	–	2,914	–	2,914
Net loss for the year	–	–	–	(781,903)	(781,903)
As at December 31, 2013	40,760,447	$ 9,064,279	$ 773,420	$ (9,176,893)	$ 660,806

(The Accompanying Notes form an Integral Part of These Consolidated Financial Statements)

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Acrex Ventures Ltd. (the “Company”), incorporated in British Columbia (“B.C.”), is a public company listed on the TSX Venture Exchange (“TSXV”) and trades under the symbol AKV. The address of the Company’s corporate office and its principal place of business is 1066 West Hastings Street, Suite 2300, Vancouver B.C., Canada.

The Company is in the exploration stage and its principal business activity is the sourcing and exploration of mineral properties in North America. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related capitalized exploration expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

b) Going Concern

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $9,176,893 at December 31, 2013 which has been funded primarily by issuance of shares. The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon the ability to fund its existing acquisition and exploration commitments on its resource properties when they come due, which would cease to exist if the Company decides to terminate its commitments. The Company may be able to generate working capital to fund its operations by the sale of its resource properties or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These factors raise significant doubt regarding the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

c) Consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiary, Acrex Minerals (U.S.) Inc. (“Acrex US”). Acrex US was incorporated in the State of Nevada. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement basis - These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

Cash and cash equivalents - The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of 90 days or less when acquired to be cash equivalents.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates - The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management judgements and estimates include the determination of impairment of mineral properties exploration assets, decommissioning provisions, deferred income tax assets and liabilities, and assumptions used in valuing options in share-based compensation calculations. Actual results could differ from these estimates.

Marketable Securities - The Company has classified its marketable securities as fair value through profit or loss and therefore carries them at fair value based on quoted market share prices with the unrealized gain or loss recorded in net income or loss for the period.

Mineral properties exploration - All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as mineral properties exploration and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full by development or sale.

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Provisions - Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government assistance - B.C. mining exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property.

Foreign currency translation - The presentation currency and functional currency of the Company and its US subsidiary is the Canadian dollar as this is the principal currency of the economic environment in which they operate. The Company's US subsidiary is financially and operationally dependent on the Company. The Company translates transaction in foreign currencies into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. The resulting exchange gains or losses are recognized in income.

Income taxes - The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

Share-based payments - The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model ("Black-Scholes model") to estimate the fair value of share-based compensation. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

Loss per share - Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all potentially dilutive common shares if their effect is anti-dilutive.

Share issue costs - Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, marketable securities, amounts receivable and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

a) Financial assets

The Company has classified its cash and cash equivalents and marketable securities at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income. The Company has classified its amounts receivable as loans and receivables.

The model requirements management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

b) Financial liabilities

The Company has classified its accounts payable as other financial liabilities. Accounts payable are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when it its contractual obligations are discharged, cancelled or expire.

Flow-through shares - The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of comprehensive loss within other income when the eligible expenditures are incurred.

New accounting standards issued but not yet effective - Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2014, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Adoption of New and Revised Accounting Standards and Interpretations

In May 2011, the IASB issued the following standards which have been adopted by the Company:

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it 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 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New and Revised Accounting Standards and Interpretations (continued)

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer 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 venturer 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. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 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 in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Amendments to IAS 1 *Presentation of Financial Statements* - The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

New accounting standards issued but not yet effective - Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2014, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards effective January 1, 2015

IAS 32 *Financial Instruments: Presentation* - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 *Impairment of Assets* – In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IAS 39 *Financial Instruments: Recognition and Measurement* – In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

IFRIC 21 *Levies* – IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The IASB has amended IAS 1 *Presentation of Financial Statements* to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for the Company beginning on January 1, 2014 or January 1, 2015 with early adoption permitted. Management does not believe that the adoption of the new or amended standards will have a significant impact on the Company's financial statements other than additional disclosures.

New accounting standards effective January 1, 2017

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2017 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

(Expressed in Canadian dollars)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include redeemable guaranteed investment certificates ("GICs") with interest rates of 1.05% to 1.20% (2012 – 1.05%) per annum.

	2013	2012
Cash	$ 42,200	$ 7,559
GICs	275,000	650,000
	$ 317,200	$ 657,559

5. MARKETABLE SECURITIES

At December 31, 2013, marketable securities are measured at fair market values and consist of gold bullion and 1,734,000 common shares of Spanish Mountain Gold Ltd. During the year ended December 31, 2013, the Company disposed of 266,000 common shares of Spanish Mountain Gold Ltd. and 6,500 shares held in Resolve Ventures Ltd., resulting in a realized loss on sale of $76,340.

	2013	2012
Spanish Mountain Gold Ltd.	$ 95,370	$ 580,000
Resolve Ventures Ltd.	–	1,430
Gold bullion	8,975	11,663
	$ 104,345	$ 593,093

As a result of changes in the fair values, the Company recorded an unrealized loss on marketable securities of $375,599 during the year ended December 31, 2013.

During the year ended December 31, 2012, the Company received 2,000,000 common shares as part of the proceeds from sale of the Company's Spanish Mountain property (see Note 6).

6. MINERAL PROPERTIES EXPLORATION

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

December 31, 2012	Spanish Mountain	Rainbow Canyon	Total
Acquisition costs			
Balance, December 31, 2011	$ 179,826	$ 158,789	$ 338,615
Staking and title maintenance	–	20,161	20,161
Subtotal of acquisition costs	179,826	178,950	358,776
Exploration and evaluation			
Balance, December 31, 2011	1,154,846	35,694	1,190,540
Assays	2,000	2,265	4,265
Reclamation Bond	(7,000)	–	(7,000)
Mining and exploration tax credit	(62,126)	–	(62,126)
Subtotal of exploration and evaluation	1,087,720	37,959	1,125,679
Deduct proceeds from sale of mineral property	(1,340,000)	–	(1,340,000)
Gain on sale of mineral property in 2012 year-end	72,454	–	72,454
Balance, December 31, 2012	**$ –**	**$ 216,909**	**$ 216,909**

(Expressed in Canadian dollars)

6. MINERAL PROPERTIES EXPLORATION (continued)

December 31, 2013	**Spanish Mountain**	**Rainbow Canyon**	**Total**
Acquisition costs			
Balance, December 31, 2012	$ –	$ 178,950	$ 178,950
Staking and title maintenance	–	14,902	14,902
Subtotal of acquisition costs	–	193,852	193,852
Exploration and evaluation			
Balance, December 31, 2012	–	37,959	37,959
Consulting fees	–	1,728	1,728
Subtotal of exploration and evaluation	–	39,687	39,687
Balance, December 31, 2013	**$ –**	**$ 233,539**	**$ 233,539**

Spanish Mountain claims, British Columbia

On August 21, 2012, the Company sold its Spanish Mountain mineral claims (the “Claims”) to Spanish Mountain Gold Ltd. (“SMG”)(TSXV: SPA.V). The total $1,340,000 sale consideration received by the Company from the sale of the Claims was comprised of:

(i) a cash payment of $500,000;

(ii) 2,000,000 shares of SMG with a fair value of $840,000

The 2,000,000 shares of SMG were issued to the Company subject to a non-trading restriction which expired December 22, 2012.

In the sale agreement the Company reserved the right to receive a 4.0% net smelter return royalty which will be payable from and after the commencement of production from the Claims. SMG has the right to buy down the royalty from 4.0% to 2.0% by paying a total of $2,000,000 – of which $1,000,000 will be paid to the Company and $1,000,000 will be paid to a former owner of a portion of the Claims who reserved a 3.0% net smelter return royalty in the agreement by which he sold a portion of the Claims to the Company subject to a buy-down of his royalty to 1.0% by the payment of $1,000,000. If SMG pays the $2,000,000 there will be effectively reserved to the Company a 1.0% net smelter return royalty and to the former owner of the Claims a 1.0% net smelter return royalty.

Rainbow Canyon, Nevada – By an Agreement dated March 25, 2011 the Company purchased 52 non-patented mineral claims, covering approximately 421 hectares, located approximately 40 kilometers east of Reno, in Washoe County, Nevada, USA. The purchase price for the claims was US$125,000 (CAN$123,719). A 3% Net Smelter Return royalty is reserved to the vendor subject to the Company’s right to purchase back up to a 2% NSR royalty by the payment of $500,000 for each 1% NSR royalty interest purchased.

7. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common voting shares without par value. Disclosures on any common shares issued are provided in the Statements of Changes in Shareholders’ Equity.

(Expressed in Canadian dollars)

8. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS

The Company has established a stock option plan for directors, employees, and consultants. The following table summarizes the stock options outstanding and exercisable at December 31, 2013:

Price	Number Outstanding	Number Exercisable	Expiry Date
$0.10	410,000	410,000	July 19, 2015
$0.10	675,000	675,000	August 9, 2016
$0.10	400,000	400,000	August 30, 2017
$0.10	100,000	100,000	February 4, 2018
	1,585,000	1,585,000	

Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the pricing policies of the TSXV. Options vest immediately when granted and expire five years from the date of the grant, unless the Board establishes more restrictive terms.

The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12-month period is limited to 5% of the issued shares of the corporation.

The continuity of options is as follows:

	Number	Weighted Average Exercise Price
Outstanding, December 31, 2011	3,250,000	$ 0.13
Expired	(1,700,000)	$ 0.16
Granted	400,000	$ 0.10
Outstanding, December 31, 2012	1,950,000	$ 0.10
Expired	(465,000)	$ 0.10
Granted	100,000	$ 0.10
Outstanding, December 31, 2013	1,585,000	$ 0.10

For purposes of the calculations, the following weighted average assumptions were used under the Black-Scholes model:

	2013	2012
Share price at grant date	$0.03	$0.03
Risk-free interest rate	1.50%	1.34%
Expected dividend yield	0%	0%
Expected stock price volatility	214%	145%
Expected life of options	5 years	5 years
Expected forfeiture rate	0%	0%

The weighted average grant date fair value of stock options granted during the year ended December 31, 2013 was $0.03 (2012 - $0.03) per option.

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) The Company has identified its President and a certain Director as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties:

   i) The Company incurred legal fees of $13,275 (2012 - $24,770) from a law firm of which a director is a principal.

   ii) The Company incurred equipment rental charges of $19,514 (2012 - $18,948) from a company owned by a director.

   iii) The Company received reimbursements for investor relations, promotions and office expenses totalling $36,000 (2012 - $33,500) from companies controlled by common directors.

   iv) The aggregate remuneration of the Company's key management consists of:

	2013	2012
Management fees and investor relations	$ 189,002	$ 176,105
Share-based compensation	2,914	9,889
Total	$ 191,916	$ 185,994

b) At December 31, 2013, accounts payable and accrued liabilities included $2,087 (2012 - $19,060) for amounts due to a law firm of which a director is a principal.

c) At December 31, 2013, amounts receivable include $9,000 (2012 - $nil) for amounts due from a company with common directors and officers.

10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2013	2012
Canadian statutory income tax rate	25.75%	25.00%
Expected income tax recovery	$ 201,350	$ 132,110
Non-deductible expenses and others	(60,025)	(45,010)
Rate change	40,175	–
Change in unrecognized deferred income tax assets	(181,500)	(87,100)
Income tax recovery	$ –	$ –

Significant components of the Company's potential deferred income tax assets are as follows:

	2013	2012
Non-capital losses	$ 691,500	$ 584,200
Capital losses	9,800	–
Marketable securities and others	82,800	32,800
Resource properties	367,500	353,100
	1,151,600	970,100
Unrecognized deferred income tax assets	(1,151,600)	(970,100)
Net deferred income tax assets	$ –	$ –

(Expressed in Canadian dollars)

10. INCOME TAXES (continued)

The Company has non-capital losses for income tax purposes of $2,660,000 which may be carried forward and offset against deferred taxable income. The non-capital losses expire as follows:

Year	Amount
2026	469,000
2027	551,000
2028	452,000
2030	471,000
2031	394,000
2033	323,000
	$2,660,000

In assessing the realizability of deferred income tax assets, management considers whether it is probable that some portion of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income during the carry forward period.

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties in Canada and the US. The Company does not have any externally imposed capital requirements to which it is subject.

As at December 31, 2013, the Company had capital resources consisting of cash and cash equivalents and marketable securities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of exploration and development expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period.

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK

Classification

The Company has classified its cash and cash equivalents and marketable securities as fair value through profit or loss. Accounts payable is classified as other financial liabilities.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2013	2012
Fair value through profit or loss (i)	$ 421,545	$ 1,250,652
Loans and receivables (ii)	9,000	9,000
Other financial liabilities (iii)	8,092	26,203

(i) Cash and cash equivalents and marketable securities
(ii) Amounts receivable
(iii) Accounts payable

Fair value

As at December 31, 2013 the Company's financial instruments consist of cash and cash equivalents, marketable securities and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 7 *Financial Instruments – Disclosures*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The fair values of the Company's financial assets and liabilities as of December 31, 2013 were calculated as follows:

	Balance at December 31, 2013 $	Quoted Prices in Active Markets for Identical Assets (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Financial Assets:				
Cash and cash equivalents	317,200	317,200	–	–
Marketable securities	104,345	104,345	–	–

The Company believes that the recorded value of accounts payable approximate their current fair values because of their nature and relatively short maturity dates or durations.

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK (continued)

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

The Company ensures its holding of cash and cash equivalents is sufficient to meet its short-term exploration, development, and general and administrative expenditures. The Company's cash equivalents are invested in business guaranteed investment certificates which are immediately available on demand when required. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have significant foreign currency denominated financial instruments and is not exposed to significant foreign exchange risk.

Interest Rate Risk

The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions.

The Company has investments in guaranteed investment certificates. The following table summaries the impact of reasonable possible changes on interest rates for the Company at December 31, 2013 and 2012. The sensitivity analysis is based on the assumption that interest rate changes by 1% with all other variables remaining constant. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of historical rates for the preceding year.

	2013	**2012**
Impact on net loss:		
1% increase	$ 1,421	$ 2,351
1% decrease	$(1,421)	$(2,351)

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in market prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. OPERATING SEGMENT INFORMATION

The Company's operations are limited to a single industry segment being the acquisition, exploration and development of mineral properties. The Company has mineral property located in the United States in the State of Nevada.