(An Exploration Stage Enterprise)

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Goldtrain Resources Inc. are the responsibility of the management and Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("IFRS"). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Company maintains systems of internal control that are designed by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

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

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

"Carl McGill", CEO and CFO
Carl McGill

PALMER REED
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
GoldTrain Resources Inc.

We have audited the accompanying financial statements of GoldTrain Resources Inc., which comprise the statements of financial position as at December 31, 2013 and December 31, 2012, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2013 and December 31, 2012, 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.

Auditor's 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 auditor's 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 Company'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 Company'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 financial statements present fairly, in all material respects, the financial position of GoldTrain Resources Inc. as at December 31, 2013 and December 31, 2012, and its financial performance and cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 1 to the financial statements which indicates that as at December 31, 2013 the Company had an accumulated deficit of $2,840,939. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability of GoldTrain Resources Inc. to continue as a going concern. Our opinion is not qualified in respect of this matter.

TORONTO, ONTARIO

Palmer Reed

May 15, 2014

Chartered Accountants
Licensed Public Accountants

GoldTrain Resources Inc.
STATEMENTS OF FINANCIAL POSITION
(An Exploration Stage Enterprise)
(Canadian dollars)

AS AT DECEMBER 31,		**2013**		2012
ASSETS				
Current				
Cash	**$**	**4,799**	$	7,459
Trade and other receivables (Note 5)		**-**		9,759
Other financial assets (Note 6)		**-**		37,000
Prepaid expenses		**1,500**		-
	$	**6,299**	$	54,218
LIABILITIES				
Current				
Trade and other payables (Notes 9 and 10)	**$**	**577,475**	$	541,667
		577,475		541,667
EQUITY				
Share capital (Note 11 (a))		**1,660,238**		1,660,238
Reserve for warrants (Note 12)		**543,525**		543,525
Reserve for share based payments (Note 13)		**66,000**		66,000
Accumulated deficit		**(2,840,939)**		(2,757,212)
		(571,176)		(487,449)
	$	**6,299**	$	54,218

Nature of Operations and Going Concern (Note 1)
Commitments and Contractual Obligations (Note 16)
Subsequent Events (Notes 9, 10 and 18)

Approved on behalf of the Board on May 15, 2014:

"Carl McGill" Director

"Frank Smeenk" Director

The accompanying notes are an integral part of these financial statements

GoldTrain Resources Inc.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(An Exploration Stage Enterprise)
(Canadian dollars)

For the years ended December 31,		2013		2012
Expenses				
Professional and consulting fees	**$**	**100,447**	$	130,293
Shareholder Information		**20,590**		15,521
Office, general and administrative		**1,462**		13,525
Exploration and evaluation expenditures (Note 8)		**2,125**		512,719
Amortization (Note 7)		**-**		4,453
Part XII.6 tax		**-**		1,155
Net loss before the undernoted	**$**	**124,624**	$	677,666
Forgiveness of trade and other payables (Note 10)		**(59,945)**		-
Loss (Gain) on sale of other financial assets (Note 6)		**74,836**		(6,879)
Unrealized (Gain) loss on other financial assets (Note 6)		**(55,788)**		21,901
Flow-through share premium recovery (Note 11 (a))		**-**		(159,000)
Net loss and comprehensive loss for the year	**$**	**83,727**	$	533,688
Loss per share				
Basic and diluted	**$**	**0.002**	$	0.011
Weighted average number of common shares outstanding				
Basic and diluted (000's)		**49,423**		49,423

The accompanying notes are an integral part of these financial statements

GoldTrain Resources Inc.

STATEMENTS OF CHANGES IN EQUITY

(An Exploration Stage Enterprise)
(Canadian dollars)

	Share Capital		Reserves			
	Number of Shares	**Amount**	**Share based payments**	**Warrants**	**Accumulated deficit**	**Total**
Balance at December 31, 2011	49,422,611	$ 1,660,238	$ 66,000	$ 543,525	$ (2,223,524)	$ 46,239
Comprehensive loss for the year	-	-	-	-	(533,688)	(533,688)
Balance at December 31, 2012	**49,422,611**	**$ 1,660,238**	**$ 66,000**	**$ 543,525**	**$ (2,757,212)**	**$ (487,449)**
Comprehensive loss for the year	**-**	**-**	**-**	**-**	**(83,727)**	**(83,727)**
Balance at December 31, 2013	**49,422,611**	**$ 1,660,238**	**$ 66,000**	**$ 543,525**	**$ (2,840,939)**	**$ (571,176)**

The accompanying notes are an integral part of these financial statements

GoldTrain Resources Inc.
STATEMENTS OF CASH FLOW
(An Exploration Stage Enterprise)
(Canadian dollars)

Years ended December 31,		**2013**		2012
Operating activities				
Net loss for the year	**$**	**(83,727)**	$	(533,688)
Add items not affecting cash:				
Realized loss (gain) on other financial assets (Note 6)		**74,836**		(6,879)
Unrealized (gain) loss on other financial assets (Note 6)		**(55,788)**		21,901
Amortization (Note 7)		**-**		4,453
Flow-through share premium recovery		**-**		(159,000)
Changes in non-cash working capital items (Note 14)		**44,067**		32,665
Cash flows used in operating activities		**(20,612)**		(640,548)
Investing activities				
Proceeds on disposition of capital assets		**-**		400
Proceeds on sale of other financial assets		**17,952**		123,978
Cash flows provided from financing activities		**17,952**		124,378
Net decrease in cash		**(2,660)**		(516,170)
Cash, beginning of year		**7,459**		523,629
Cash, end of year	**$**	**4,799**	$	7,459

SUPPLEMENTAL CASH FLOW INFORMATION (Note 14)

1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS

GoldTrain Resources Inc. ("GoldTrain" or the "Company") is a public company amalgamated under the laws of the Province of Ontario on April 27, 2009. The Company's head office is located at 180 Dundas St. W., Suite 1801, Toronto, ON, M5G 1Z8. GoldTrain's principal business is the acquisition and exploration of mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

As at December 31, 2013, the Company had a working capital deficiency of $571,176 (2012 – $487,449), had not yet achieved profitable operations, had accumulated losses of $2,840,939 (2012 - $2,757,212) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage and has no proven reserves or production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

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

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at May 15, 2014.

These financial statements were approved and authorized by the Board of Directors of the Company on May 15, 2014.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for cash and investments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2.3 Future accounting policies and standards adopted

Future accounting policies

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

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

- IAS 32 '*Financial instruments, Presentation'* – is effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments also clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

2. BASIS OF PREPARATION *(continued)*

Future accounting policies *(continued)*

- IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

- IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014.

- IFRIC 21 – Levies ("IFRIC 21") was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

Standards adopted

- IFRS 7 — Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The adoption of this standard did not result in any changes to the Company's disclosure of its financial instruments.

- IFRS 10 - Consolidated Financial Statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent corporation. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. At January 1, 2013, the Company adopted this pronouncement and there was no impact on the Company's financial statements.

- IFRS 11 - Joint Arrangement ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and parties having rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and exposure to variable returns from an investee; and the ability to use power (under joint control) to affect the reporting entity's returns. For entities with the rights to the net assets of an arrangement, equity accounting is used. At January 1, 2013, the Company adopted this pronouncement and there was no impact on the Company's financial statements.

2. BASIS OF PREPARATION *(continued)*

Standards adopted *(continued)*

- IFRS 12 - Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structure entities. At January 1, 2013, the Company adopted this pronouncement and provided required disclosures.

- IFRS 13 – Fair Value Measurement ("IFRS 13") is effective for annual periods beginning on January 1, 2013, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. The Company's adoption of IFRS 13, on January 1, 2013, did not have a significant financial impact upon the financial statements, however, certain new or enhanced disclosures are required and can be found in note 18.

- IAS 1 - Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011. Items in other comprehensive loss will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present statement of comprehensive loss as one statement or two separate statements of profit and loss and other comprehensive loss remains unchanged. At January 1, 2013, the Company adopted this pronouncement on its financial statements.

- IAS 27 - Separate Financial Statements ("IAS 27") was effective for annual periods beginning on or after January 1, 2013, as a result of the issue of IFRS 10, IAS 27 has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. At January 1, 2013, the Company adopted this pronouncement and there was no impact on the Company's financial statements.

- In October 2011, the IASB issued IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine. This interpretation requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. At January 1, 2013, the Company adopted this pronouncement and there was no impact on the Company's financial statements.

2.4 Use of management estimates, judgments and measurement uncertainty

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

2. BASIS OF PREPARATION *(continued)*

Calculation of share based payments and warrants

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

Income taxes

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

Decommissioning provisions

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

Going concern assumption

Going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment (“PPE”). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE 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 PPE, less their estimated residual value, using the declining-balance method or unit-of-production method over the expected useful lives at the following rates:

• Automotive equipment	30%
• Core shack	20%

An item of PPE is de-recognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

3.3 Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

3.4 Share based payments

Share based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.4 Share based payments *(continued)*

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share based payment.

Equity-settled transactions
The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

3.5 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Taxation *(continued)*

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.6 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2013 and 2012 all of the outstanding stock options and warrants were antidilutive.

3.7 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and other financial assets are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company does not have any assets classified as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3.8 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Financial liabilities *(continued)*

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At December 31, 2013 the Company has not classified any financial liabilities as FVTPL.

3.9 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

3.10 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Impairment of non-financial assets *(continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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.

3.11 Cash

Cash in the statement of financial position comprises cash at banks and on hand and held in trust by the Company's lawyer.

3.12 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 probable 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.

3.13 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 or common significant influence, 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 obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

3.14 Flow-through shares

The obligation to renounce tax deductions at the time of issuance of flow-through shares is recorded as a liability in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" measured using a residual or a relative fair value method. This obligation is released into the statement of comprehensive income as a gain as and when the Company incurs qualifying expenditures (i.e. fulfilling its obligation to renounce tax attributes).

4. FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

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

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

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

Fair value
The Company's financial instruments as at December 31, 2013 include cash and trade and other payables. The Company has designated its cash as FVTPL, which is measured at fair value. Fair value of cash is determined based on transaction value and is categorized as Level 1 measurement. Fair value of trade and other payables is determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

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

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

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2013, the Company had current assets of $6,299 (2012 - $54,218) to settle current liabilities of $577,475 (2012 - $541,667). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing and the continued accommodation from its service providers. All of the Company’s financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at December 31, 2013, the Company had a working capital deficiency of $571,176 (2012 – $487,449).

(Canadian dollars)

4. FINANCIAL INSTRUMENTS *(continued)*

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

The Company's credit risk is primarily attributable to cash included in current assets. The Company has no material concentration of credit risk arising from operations. Cash consist of bank deposits, which have been invested in a Canadian chartered bank, from which management believes the risk of loss is remote.

The Company's maximum exposure to credit risk as at December 31, 2013 is the carrying value of cash.

5. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from harmonized sales tax ("HST") receivable due from government taxation authorities. These are broken down as follows:

	As at December 31,	
	2013	2012
HST receivable	**$ -**	$ 9,759
Total trade and other receivables	**$ -**	$ 9,759

Below is an aged analysis of the Company's trade and other receivables:

	As at December 31,	
	2013	2012
Less than 1 month	**$ -**	$ 9,759
Total trade and other receivables	**$ -**	$ 9,759

6. OTHER FINANCIAL ASSETS – FVTPL SECURITIES

Other financial assets are comprised of marketable securities of a publicly traded company on the TSX Venture Exchange ("TSXV"). As at December 31, 2013, these fair value through profit and loss investments have been measured at their fair value of $Nil (2012 – $37,000). The impact to the financial statements of the revaluation to market value resulted in an unrealized gain of $55,788 (2012 – loss of $21,909) due to the reclassification of previously unrealized losses as a result of the sale of these financial assets and a realized loss of $74,836 (2012 – gain of $6,879) through the sale of these marketable securities.

(Canadian dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	Automotive equipment	Core shack	Total
Cost			
As at January 1, 2012	$ 11,828	$ 1,827	$ 13,655
Disposals	**(11,828)**	**(1,827)**	**(13,655)**
As at December 31, 2012 and 2013	**$ -**	**$ -**	**$ -**
Accumulated depreciation			
As at January 1, 2012	**7,887**	**915**	**8,802**
Amortization	**3,541**	**912**	**4,453**
Disposals	**(11,428)**	**(1,827)**	**(13,255)**
As at December 31, 2012 and 2013	**$ -**	**$ -**	**$ -**
Net book value			
As at December 31, 2012 and 2013	**$ -**	**$ -**	**$ -**

8. MINERAL PROPERTIES

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

	Year Ended December 31,		Cumulative to date *
	2013	2012	
Clement Property	**$ -**	$ 33,111	**$ -**
Chiniguchi River/Janes Property	**-**	41,124	**-**
Missinabie/Nudulama Property	**2,125**	438,484	**1,185,054**
Exploration and evaluation expenditures	**$ 2,125**	$ 512,719	**$ 1,185,384**

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

Clement Township – Hagar, Ontario
The Company had a 100% interest in 15 unpatented mining claims (containing 227 claim units) covering approximately 3,632 hectares in the Clement Township area, approximately 65 kilometres northeast of Sudbury. During the year ended December 31, 2012, this property was transferred to Brian Wright, President and Chief Operating Officer, (the “Purchaser”) along with Chiniguchi River claims (the “Properties”). See “Chiniguchi River” for further details.

Chiniguchi River – Janes Township, Ontario
The Company had a 75% interest in 8 unpatented mining claims (containing 120 claim units) in the Chiniguchi River area covering approximately 1,920 hectares in Janes Township, District of Sudbury. The vendor retained a 2% net smelter royalty. GoldTrain had also staked 4 new claims (49 units covering approximately 748 hectares) adjoining the Chiniguchi River property to the south. On October 26, 2012, this property was transferred to the Purchaser along with the Clement Property in exchange for the Purchaser agreeing to perform $90,000 worth of exploration activities on the Missinabie/Nudulama claims in exchange for the Properties, $45,000 in cash and $45,000 to be received in shares at the lowest price allowed by the stock exchanges or as mutually agreed to by both parties. During the year ended December 31, 2012, the Company decided to forego the consideration to be performed by the Purchaser as the Company was not able to come up with the cash portion requirement and, accordingly, the Company completed the exchange for no additional consideration.

(Canadian dollars)

8. MINERAL PROPERTIES *(continued)*

Missinabie/Nudulama Property – Brackin and LeesonTownship, Ontario
The Company has a 100% interest in 7 unpatented mining claims (containing 92 claim units) covering approximately 1,472 hectares in the Brackin Township area, approximately 72 kilometres northeast of the town of Wawa, Ontario. The vendor retains a 2% net smelter royalty which continues until the property is written off.

In 2010, the Company acquired a 100% interest in 2 unpatented mining claims in the Leeson Township area, in the mining district of Sault Ste. Marie by issuing 400,000 common shares (issued) and paying $11,200 (paid). The vendor retains a 3% net smelter royalty on the property, two-thirds of which can be purchased for $2,000,000.

In 2011, the Company purchased a 100% interest in 11 patented and 11 leased claims in Leeson Township (Nudulama Property) approximately 85 kilometers northeast of Wawa, Ontario. The patented claims are adjacent to the Missinabie Property. The Company paid $100,000, issued 300,000 common shares and issued 300,000 warrants. Each warrant entitled the holder to acquire one common share at an exercise price of $0.10 for 24 months, which expired on September 26, 2013. The vendor retains a 2% net smelter royalty on the property, one-half of which can be purchased for $1,000,000.

9. TRADE AND OTHER PAYABLES

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

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

	As at December 31,	
	2013	2012
Less than 1 month and accruals	**$ 117,636**	$ 97,086
1 – 3 months	**886**	6,780
Over 3 months	**458,953**	437,801
Total trade and other payables	**$ 577,475**	$ 541,667

Subsequent to year end, of the trade and other payables outstanding as at December 31, 2013, $180,104 was converted into common shares at $0.02/common share and $175,000 was converted in to convertible promissory notes. See Subsequent Event note 18 for further details.

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

Year ended December 31,	**2013**	2012
Balances:		
Short-term benefits	**$ 47,000**	$ 266,000
Total compensation paid to key management	**$ 47,000**	$ 266,000

(Canadian dollars)

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT *(continued)*

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

During the year ended December 31, 2013, the Company was charged $10,000 (2012 - $56,000) for legal fees by a law firm of which a director, officer and shareholder of the law firm was a director of the Company at that time.

During the year ended December 31, 2013, the Company received debt forgiveness of trade and other payables of $59,945 (2013 - $Nil) for past exploration services of an officer of the Company.

Included in accounts payable at December 31, 2013 is $51,000 (2012 - $91,000) owing to key management and related parties. In addition, included in accounts payable at December 31, 2013 is $500,000 (2012 - $428,000) owing to former directors and officers or companies controlled by them.

Subsequent to year end, the Company issued 9,161,452 common shares at $0.02/common share to settle trade and other payables due to current and former related parties of $183,229. In addition, the Company converted $175,000 of trade and other payables owing to former directors and officers or companies controlled by them into convertible promissory notes. See Subsequent Event note 18 for further details.

11. SHARE CAPITAL

(a) Common shares

Authorized – Unlimited number of common shares
Unlimited number of preference shares issuable in series

	Number of Shares	Amount
Balance, December 31, 2012 and 2013	**49,422,611**	**$ 1,660,238**

During the year ended December 31, 2012, flow-through share premium liability of $159,000 was reversed (resulting from flow-through funds spent) and recorded as a flow-through share premium recovery in the statements of loss for year ended December 31, 2012.

(b) Options

The Company has a stock option plan (the "Plan") under which the board of directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees and consultants of the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant less any discounts permitted by regulatory policies and the maximum term of any option cannot exceed five years. The maximum aggregate number of common shares under option at any time under the Plan is a rolling 10% of the issued and outstanding common shares is 4,942,261 (2012 - 4,942,261). As at December 31, 2013, the Company had 4,242,261 (2012 – 2,492,261) options available for issuance under the Plan.

(Canadian dollars)

11. SHARE CAPITAL *(continued)*

(b) Options *(continued)*

The options outstanding to purchase common shares are as follows:

	December 31, 2013		December 31, 2012	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Outstanding at beginning of year	**2,450,000**	**$ 0.11**	2,450,000	$ 0.11
Expired during the year	**1,750,000**	**0.11**	-	-
Outstanding at end of year	**700,000**	**$ 0.11**	2,450,000	$ 0.11

The following summarizes information on the stock options outstanding at December 31, 2013:

Range of Exercise Prices ($)	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**
0.10	250,000	2.42	0.10
0.12	450,000	1.05	0.12
0.10 - 0.12	**700,000**	**1.54**	**0.11**

(c) Common Share Purchase Warrants

As at December 31, 2013, the outstanding warrants to purchase common shares are as follows:

	Number Of Warrants	Weighted Average Exercise Price $
Balance , January 1, 2012 and December 31, 2012	21,429,358	0.11
Warrants expired	(21,429,358)	0.11
Balance, December 31, 2013	-	-

12. RESERVE FOR WARRANTS

Reserve for warrants is comprised of the following:

As at December 31,	**2013**	2012
Balance, beginning of the year	**$ 543,525**	$ 543,525
Balance, end of year	**$ 543,525**	$ 543,525

13. RESERVE FOR SHARE BASED PAYMENTS

Reserve for share based payments is comprised of the following:

As at December 31,	**2013**	2012
Balance, beginning of the year	**$ 66,000**	$ 66,000
Balance, end of year	**$ 66,000**	$ 66,000

(Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

As at December 31,		2013		2012
Trade and other receivables	**$**	**9,759**	$	22,627
Prepaid expenses		**(1,500)**		1,500
Trade and other payables		**35,808**		8,538
Changes in non-cash working capital balances	**$**	**44,067**	$	32,665

15. CAPITAL MANAGEMENT

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

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, and accumulated deficit, which as at December 31, 2013 was a deficiency of $571,176 (2012 – $487,449).

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company expects its capital resources, together with its access to the capital markets and accommodation from its service providers, will be sufficient to carry out its exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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

16. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

(Canadian dollars)

16. COMMITMENTS AND CONTRACTUAL OBLIGATIONS *(continued)*

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

17. INCOME TAXES

Deferred Income Tax Recovery

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
	$	$
Loss before income taxes	**(83,727)**	(533,688)
Combined Statutory rate	**26.50%**	26.50%
Estimated recovery of deferred taxes	**(22,000)**	(141,000)
Other	**2,000**	(207,000)
Non-taxable portion of capital losses	**3,000**	2,000
Expiry of non-capital tax losses	**2,000**	-
Difference between current and future tax rates	**-**	(40,000)
Flow-through share premium recovery	**-**	(42,000)
Change in tax assets not recognized	**15,000**	428,000
Deferred tax recovery	**-**	-

The Canadian statutory income tax rate of 26.5% (2012 - 26.5%) is comprised of the federal income tax rate at approximately 15.0% (2012 – 15.0%) and the provincial income tax rate of approximately 11.5% (2012 – 11.5%).

The primary differences which give rise to the deferred income tax assets at December 31, 2013 and 2012 are as follows:

	2013	2012
	$	$
Deferred tax assets		
Share issuance costs and other	**8,000**	17,000
Deferred exploration expenses	**257,000**	256,000
Capital losses carried forward	**305,000**	302,000
Non-capital losses carried forward	**339,000**	319,000
	909,000	894,000
Less : tax assets not recognized	**(909,000)**	(894,000)
Net deferred tax assets	**-**	-
Deferred tax liabilities		
	-	-
Net deferred tax liability	**-**	-

(Canadian dollars)

17. INCOME TAXES *(continued)*

The Company has available for carry forward non-capital losses of $1,282,000 (2012 - $1,199,000). As at December 31, 2013, the non-capital losses carry forwards expire as follows:

	$
2014	**54,000**
2025	**21,000**
2026	**140,000**
2027	**306,000**
2028	**12,000**
2029	**53,000**
2030	**167,000**
2031	**230,000**
2032	**201,000**
2033	**98,000**
	1,282,000

As at December 31, 2013, the Company has cumulative Canadian exploration and evaluation expenditures ("CCEE"), cumulative Canadian development expenditures ("CCDE") totaling $967,000 (2012 - $969,000) which are available to reduce taxable income of future years. The CCEE and CCDE balances can be carried forward indefinitely. In addition, the unamortized balance, for income tax purposes, of share issuance costs amounts to approximately $29,000 (2012 - $64,000) and will be deductible in Canada over the next 2 (2012 – 3) years.

Deferred tax benefits which may arise as a result of these losses and expenditures have not been recognized in these financial statements.

18. SUBSEQUENT EVENTS

Subsequent to year end, the Company entered into agreements with several of its creditors to restructure its debts. The creditors agreed to convert approximately $191,104 of the Company's outstanding obligations into equity by the Company issuing 9,555,202 common shares at $0.02 per share.

Subsequent to year end, the Company also agreed with one of its creditors to defer payment of amounts owed by converting $175,000 of accounts payable into long-term debt represented by interest-free convertible promissory notes (i) maturing on June 30, 2015, (ii) extendible for one year by the Company in certain circumstances, (iii) acceleration of the maturity date on any change of control or other fundamental change in respect of the Company, and (iv) convertible in tranches of $25,000 each into units at $0.05 per unit with each unit being comprised of one common share of the Company and one whole warrant exercisable to purchase one common share of the Company for $0.10 within 3 years from the date of the convertible promissory notes at the option of the holder.

Subsequent to year end, the Company signed an agreement to acquire properties in Hawkins and Walls Townships, Ontario from Pavey Ark Minerals Inc., for $50,000 payable by issuing 2,500,000 common shares of the Company at a deemed price of $0.02 per share, subject to due diligence investigations, any necessary regulatory approvals and other standard conditions in transactions of this nature. On completion of the transaction, the vendor will retain a 2% net smelter returns royalty on the property, one half of which may be purchased by the Company for $1,000,000 to reduce the royalty to 1% of the net smelter returns. This agreement was terminated by mutual consent prior to completion.