PLATINEX

The Quest for a Greener Planet

Platinex Inc.

Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012
Expressed in Canadian Dollars

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Platinex Inc.

I have audited the accompanying consolidated financial statements of Platinex Inc. which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of changes in equity, loss and comprehensive loss and cash flow for the years then ended and a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Platinex Inc. as at December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying my opinion, I draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Platinex Inc.'s ability to continue as a going concern.

"Mahendra CA Professional Corporation"

Mahendra CA Professional Corporation
Authorized to practise public accounting by the Chartered Professional Accountants of Ontario

Markham, Ontario
April 24, 2014

Platinex Inc.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

	Note	As at December 31 2013	As at December 31 2012
Assets			
Current assets			
Cash		$ 10,006	$ 116,648
HST receivable		608	0
Funds held in trust		0	985
Prepaid expenses		0	14,247
Available-for-sale investment	5	0	87,500
Total current assets		$ 10,614	$ 219,380
Non-current assets			
Exploration and evaluation assets	6	$ 1,723,083	$ 3,720,259
Property and equipment	7	2,970	24,725
Total non-current assets		$ 1,726,053	$ 3,744,984
Total assets		$ 1,736,667	$ 3,964,364
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 580,534	$ 423,029
HST payable		0	18,162
Provisions	16	633,071	633,071
Total current liabilities		$ 1,213,605	$ 1,074,262
Shareholders' equity			
Share capital	8	$ 6,120,799	$ 6,111,049
Share warrants reserve	9a	10,500	44,790
Contributed surplus		706,133	661,343
Accumulated other comprehensive loss		0	(7,500)
Accumulated deficit		(6,314,370)	(3,919,580)
Total shareholders' equity		$ 523,062	$ 2,890,102
Total liabilities and shareholders' equity		$ 1,736,667	$ 3,964,364
Nature of operations and going concern	1		

Signed on behalf of the Board of Directors:

Director

Director

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

Platinex Inc.

Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2013 and December 31, 2012
Expressed in Canadian Dollars

	Share Capital	Contributed Surplus	Share Warrant Reserve	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance December 31, 2011	$ 6,101,049	$ 279,050	$ 427,083	$ 0	$ (3,506,211)	$ 3,300,971
Loss for the year	0	0	0		(413,369)	(413,369)
Available-for-sale investment (net of tax)	0	0	0	(7,500)	0	(7,500)
Share capital issued	10,000	0	0		0	10,000
Stock options granted	0	0	0		0	0
Warrants issued	0	0	0		0	0
Warrants expired	0	382,293	(382,293)		0	0
Share issue costs	0	0	0		0	0
Balance December 31, 2012	$ 6,111,049	$ 661,343	$ 44,790	$ (7,500)	$ (3,919,580)	$ 2,890,102
Loss for the year	0	0	0	0	(2,387,290)	(2,387,290)
Reclassification of available-for-sale investment loss	0	0	0	7,500	(7,500)	0
Share capital issued	10,500	0	0	0	0	10,500
Stock options granted	0	0	0	0	0	0
Warrants issued	0	0	10,500	0	0	10,500
Warrants expired	0	44,790	(44,790)	0	0	0
Share issue costs	(750)	0		0	0	(750)
Balance December 31, 2013	$ 6,120,799	$ 706,133	$ 10,500	$ 0	$ (6,314,370)	$ 523,062

Nature of operations and going concern (note 1)

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

Platinex Inc.

Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2013 and December 31, 2012
Expressed in Canadian Dollars

	Note	2013	2012
Expenses			
Audit and legal		$ 27,463	$ 38,625
Depreciation	7	3,895	8,310
General exploration and disposition of mining claims		(14,956)	4.520
Insurance		1,024	13,200
Investor relations		934	50,168
Management salaries and fees	13	221,119	375,591
Office and general		19,676	36,093
Rent		48,077	79,660
Consulting fees		20,962	0
Regulatory fees,	16	16,327	21,064
Impairment loss	6	1,999,821	0
Total expenses		2,344,342	627,231
Loss from operations		(2,344,342)	(627,231)
Gain on sale of mining claims		0	172,412
Loss on sale of investments		(29,029)	0
Loss on sale of property and equipment		(13,919)	0
Loss before income tax		(2,387,290)	(454,819)
Deferred income tax recovery	10	0	41,450
Other comprehensive loss		(2,387,290)	(413,369)
Fair value loss on available-for-sale investment		0	(7,500)
Total net and comprehensive loss for the year		$ (2,387,290)	$ (420,869)
Loss per common share, basic and diluted	15	$ (0.05)	$ (0.01)

Nature of operations and going concern (note 1)

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

Platinex Inc.
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2013 and December 31, 2012
Expressed in Canadian Dollars

	2013	2012
Cash flows from operating activates		
Net and comprehensive loss for the year	$ (2,387,290)	$ (420,869)
Adjustments to reconcile net and comprehensive loss to net cash used in operating activities:		
Depreciation	3,895	8,310
Deferred income tax recovery	0	(41,450)
Impairment loss	1,999,821	0
Loss on sale of investments	29,029	0
Loss on sale of property, plant and equipment	13,919	0
Changes in non-cash working capital balances:		
Funds held in trust	985	(985)
Prepaid expenses	14,247	11,857
Accounts payable	157,505	150,124
HST payable	(18,770)	34,878
Total cash flows from operating activities	$ (186,659)	$ (258,135)
Cash flows from investing activities		
Investment	$ 58,471	$ (87,500)
Exploration and evaluation assets	(2,645)	(282,825)
Property and equipment	3,941	0
Total cash flows from investing activities	$ 59,767	$ (370,325)
Cash flows from financing activities		
Share capital issued	$ 21,000	$ 0
Cost of issue of shares	(750)	0
Total cash flows from financing activities	$ 20,250	$ 0
Decrease in cash during the year	(106,642)	(628,460)
Cash at beginning of year	116,648	745,108
Cash at end of year	$ 10,006	$ 116,648

Nature of operations and going concern (note 1)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Platinex Inc., which together with its subsidiary is collectively referred to as the "Company", is a Canadian company whose business activity is the exploration and evaluation of mineral properties in Canada. Platinex Inc. (the "Company") was incorporated under the Ontario Business Corporations Act on August 12, 1998.

The Company is listed on the TSX Venture Exchange, having the symbol PTX-V, as a Tier 2 mining issuer. The address of the Company's corporate office and principal place of business is 11 Algonquin Crescent, Aurora, Ontario L4G 3E4, Canada.

These consolidated financial statements of the Company for the years ended December 31, 2013 and December 31, 2012 were approved and authorized for issue by the Board of Directors on April 23, 2014.

The Company has interest in mineral properties located in Canada which are presently at the exploration and evaluation stage. Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation assets.

For the year ended December 31, 2013, the Company incurred a net loss of $2,387,290 (for the year ended December 31, 2012 - $420,869), the deficit as at December 31, 2013 amounted to $6,314,370 ($3,919,580 as at December 31, 2012) and negative cash flow from operations amounted to $186,659 ($258,135 as at December 31, 2012).

Management estimates that the funds available as at December 31, 2013 will not be sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2014. The Company will have to raise additional funds to continue operations. The Company is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Company will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of new debt and equity. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although these consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, the above-noted facts and circumstances cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported revenues and expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS and the IFRS Interpretations Committee. These consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for available-for-sale financial assets and exploration and evaluation assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Exploration and Evaluation Assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials, surveys, sampling costs, geological expenses, geophysical studies and drilling costs during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

a) Exploration and Evaluation Assets cont'd

When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditure costs, in excess of estimated recoveries, are written off to the statement of income and comprehensive income/loss.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as a 'mine under construction'. E&E assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no revenues, any incidental revenues earned in connection with exploration activities are applied as a reduction of capitalized exploration costs.

Mineral E&E expenditures are classified as intangible assets.

b) Property, Plant and Equipment

Property, plant and equipment ("PP&E") are recorded at cost net of any landlord leasehold allowances. Amortization is provided at one half annual rates in the year of acquisition. Depreciation is provided at the following rates:

Computer equipment	30%	declining balance method
Furniture and equipment	20%	declining balance method
Leasehold improvements		term of the lease straight line basis

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on disposal of an item of PP&E are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net in other income in the consolidated statement of loss and comprehensive loss.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

c) Impairment of Non - Financial Assets

Exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

An impairment loss is recognized in the statement of net loss and comprehensive loss, except to the extent it reverses gains previously recognized in other comprehensive loss/income.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

d) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire. At initial recognition, the Company classifies its financial instruments depending on the purpose for which the instruments were acquired. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Cash and cash equivalents are measured at fair value, with changes in fair value being recorded in net earnings (loss) at each reporting period end.

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, less any impairment losses.

Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-For-Sale Investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in the statement of loss and comprehensive loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to the statement of net loss and comprehensive loss.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest rate method.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are paid within 30 days of recognition if the Company has sufficient cash to make such payments.

Impairment of Financial Assets

Financial assets other than those carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is considered to be impaired if objective evidence

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

d) Financial Instruments cont'd

Impairment of Financial Assets cont'd

indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset, in which the cash flows may be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses, if any, are recognized in the accompanying statements of loss and comprehensive loss and are reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss would be reversed through the same financial statements.

e) Provisions

Rehabilitation Provision

The operations of the Company may be affected by changes in environmental regulations, including those relating to future reclamation and site restoration. The likelihood of new regulations and their overall effect upon the Company are unknown and unpredictable. The Company plans to meet and, if possible, surpass standards set by legislation, by applying technically proven and economically feasible measures.

Environmental expenditures relating to environmental and reclamation programs are charged to operations, or are capitalized and amortized, depending on their future economic benefits, over the estimated remaining life of the related business operation, net of expected recoveries. Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future removal and site restoration costs required by environmental law or contracts.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Onerous Contracts

A provision for onerous contracts would be recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision would be measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company would recognize any impairment loss on the assets associated with the contract.

f) Income Taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred income tax are recognized in net income (loss) except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

f) Income Taxes cont'd

Deferred income tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred income tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable income will be available against which the deferred income tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred income tax asset to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

g) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred income tax liability for the amount of tax reduction renounced to the shareholders. The premium and the related deferred tax are recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian Exploration Expenditures ("CEE") within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial liability until paid.

h) Earnings / Loss per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

i) Share-Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

i) Share-Based Payments cont'd

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share option reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share option reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

j) Basis of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary PTX Nevada LLC, which has been inactive since its incorporation on November 23, 2009.

k) Equity

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Share option reserves comprise the cumulative value of stock-based compensation where the options have not been exercised. Share warrant reserves comprise the fair value of the Company's outstanding warrants. The Company's deficit comprises all current and prior period income and losses.

l) Comprehensive Income (Loss)

Net and comprehensive income (loss) comprises net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) represents changes in shareholders' equity and includes the fair value loss on available-for-sale investments and is presented as accumulated other comprehensive income (loss). The Company's earnings per share presented on the accompanying statements of operations and comprehensive loss are based upon its net and comprehensive income (loss).

m) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2013 or later years.

i) New standards, interpretations and amendments effective from January 1, 2013

The following new accounting policies were adopted by the Company on January 1, 2013 and they had no significant impact on the Company's financial position and results of operations:

IFRS 7 Financial instruments: disclosures was further amended to provide guidance on the eligibility criteria for offsetting assets and liabilities as a single net amount in the statement of financial position. This amendment is effective for annual periods beginning on or after January 1, 2013.

IFRS 10 Consolidated financial statements 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. This standard is effective for all annual periods beginning on or after January 1, 2013.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

m) Standards, Amendments and Interpretations Not Yet Effective cont'd

i) New standards, interpretations and amendments effective from January 1, 2013 cont'd

IFRS 10 Consolidated financial statements 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. This standard is effective for all annual periods beginning on or after January 1, 2013.

IFRS 11 Joint arrangements 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. Previously, 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. This standard is effective for all annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of interests in other entities 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. This standard is effective for all annual periods beginning on or after January 1, 2013.

IFRS 13 Fair value measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for all annual periods beginning on or after January 1, 2013.

IAS 1 Presentation of financial statements, was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This amendment is effective for annual periods beginning on or after July 1, 2012 and led to changes in the presentation of the Company's other comprehensive income.

IAS 28 Investment in associates, was amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. This amendment is effective for annual periods beginning on or after January 1, 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

m) Standards, Amendments and Interpretations Not Yet Effective cont'd

ii) New standards, interpretations and amendments not yet effective

The Company is currently evaluating the following pronouncements which are not yet in effect and has not yet determined the impact on its financial position and results of operations:

IFRS 9 Financial instruments, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, financial instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. An effective date will be added when all phases of the project are completed.

IAS 32 Financial instruments: presentation was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014.

In May 2013, the IASB IFRS Interpretations Committee ("IFRIC") issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. 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.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets: these amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements within the next financial year are discussed below:

a) Capitalization of Exploration and Evaluation Costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See note 8 for details of capitalized exploration and evaluation costs.

b) Impairment of Mineral Properties and Deferred Exploration Expenditures

Exploration and evaluation assets and other long lived assets are reviewed and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Common indicators or impairment in the mining industry include:

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses, is a subjective process involving judgment and a number of estimates and interpretations in many cases. Determining whether to test for impairment exploration and evaluation assets requires management's judgment, among others, regarding the following:

a) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
b) Substantive expenditure on further exploration and evaluation of mineral resources in s specific area is neither budgeted nor planned;
c) Exploration for an evaluation of mineral resources in s specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
d) Sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Additional external factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trend and significant drop in ore prices.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal or impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and losses may occur during the next period.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES cont'd

c) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the income tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Estimates

a) Share-based Payment Transactions

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 10.

b) Provisions

Refer to notes 3f and 16.

5. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment consists of an investment in common shares of Probe Mines Limited, and therefore has no fixed maturity date. The fair value of the listed available- for- sale investment has been determined directly by reference to published price quotations in an active market. These Investments were sold during the year.

Expressed in Canadian Dollars

6. EXPLORATION AND EVALUATION ASSETS

	Shining Tree	South McFaulds Lake	Total
Balance at December 31, 2011	$ 2,904,389	$ 523,045	$ 3,427,434
Exploration costs	289,801	30,612	320,413
Disposition of mining claims	(27,588)	0	(27,588)
Balance at December 31, 2012	$ 3,166,602	$ 553,657	$ 3,720,259
Exploration costs	2,645	0	2,645
Impairment loss	(1,446,164)	(553,657)	(1,999,821)
Balance at December 31, 2013	$ 1,723,083	$ 0	$ 1,723,083

a) Shining Tree Property, Ontario

In 2011 the Company vested an option agreement with Skead Holdings Ltd., with respect to 139 claim units (5,680 acres or 2,299 ha), situated in Churchill, MacMurchy and Asquith Townships in Ontario (the “Shining Tree property”). The Company now holds a 100% interest in the claims subject to a 3% NSR and subject to advance royalty payments of $10,000 per year commencing in April 2013; the agreement has been amended to defer the payment commencement to October 11, 2014. The 3% NSR may be reduced by payment of $400,000 for each 0.5% NSR purchased to a maximum of 1.5% NSR. If the optionor wishes to sell the royalty interest the Company retains a right of first refusal to purchase the NSR. On May 10, 2012 the Company acquired a lease (40 acres, 16 ha) from Gary John McBride for 200,000 shares of the Company. The lease is central to the Shining Tree property.

The Company SEDAR-filed its NI 43-101 technical report dated October 2, 2008, by J.G. Bryant and D. Jamieson (the “Report”) which examines the Herrick gold deposit on Shining Tree property and seven other known gold prospects, some of which have been explored underground. The Report qualifies the sampling and drilling work by Unocal (1989) and Fort Knox (1990) compliant with NI 43-101 standards.

In October 2010, the Company entered into an agreement with Canadian Prospecting Ventures (“CPV”) to acquire an option on twelve claim units for 474 acres (192ha) adjoining the Shining Tree claims acquired from Skead Holdings Ltd. The CPV option was allowed to lapse in the second quarter of 2012.

Since commencement of exploration in 2008, an airborne geophysical survey, stripping, trenching, sampling, induced polarization and magnetometer surveys, glacial till sampling and the drilling of 64 holes for a total of 8,393 m have been completed. A provincially significant anomaly comprising high counts of gold grains and nuggets has been defined covering a large portion of the property and the geological interpretation of this feature is that it has been generated by nearby sources, not necessarily but probably, underlying the Shining Tree property. Channel and composite grab sampling of 72 sections covering a length of 361 m of the Herrick deposit averages 6.98 g/t Au / 1.9 m average true width. Fifty nine qualified drill holes along the same length to a depth of 300m returned average grades from the Central Zone of 2.16 g/t Au / 2.9 m true width. One of the deeper holes returned a 46.1 m mineralized section indicating that the zone is thickening with depth.

b) South McFaulds, Ontario

The South McFaulds property is located 25 km southwest of Noront Resources’ Eagle One and Double Eagle nickel-copper-PGE and Black Bird chromitite discoveries. This property comprises 158 claim units in three blocks covering 2,528 ha (6,320 acres). The property adjoins a block held by MacDonald Mines on the northeast. James Bay Resources holds blocks of claims within and to the north of the Company holdings. The Company’s property was staked to cover a layered intrusion that is coupled with magnetic anomalies and the projected strike extension to the southwest of the host environment for the Noront discoveries evidenced in outcrop on the property; all of which have been recently revealed in survey publications by the Ontario government. The property is also centered on, and in part marginal to, a regional gravity anomaly. A qualifying report was filed on this property in May, 2011 and an airborne geophysical program was carried out in September, 2011. After filing the report low priority portions of the property were allowed to lapse.

Expressed in Canadian Dollars

6. EXPLORATION AND EVALUATION ASSETS cont'd

Due to the Company's going concern issue as described in Note 1, as well as the inability to raise the funding requirements necessary to realize and generate future cash flows from all of the CGU's within the exploration and evaluation assets, the Company completed an impairment review on the exploration and evaluation assets as of December 31, 2013. The impairment review compared the carrying value of the different CGU's within the exploration and evaluation assets to their recoverable amounts. Carrying value was calculated for each CGU as the deemed cost at the statement of financial position date. The recoverable amounts were estimated using the greater of their value in use ("VIU") and their fair market value. VIU was significantly impacted due to the increased risks associated with the funding requirements necessary to realize and generate future cash flows from all of the CGU's within the exploration and evaluation assets. Fair market value of the assets was based on the Company's closing market price of its common stock as of December 31, 2013, adjusted for net working capital items. As a result, it was determined that under fair market value, there was an impairment on the carrying value of all of the CGU's within the exploration and evaluation assets of approximately $1,999,821 and is the total impairment expense for the year ended December 31, 2013

7. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance at December 31, 2011	$ 31,764	$ 55,507	$ 7,782	$ 95,053
Additions	0	0	0	0
Disposals	0	0	0	0
Balance at December 31, 2012	$ 31,764	$ 55,507	$ 7,782	$ 95,053
Additions	0	0	0	0
Disposals	0	(55,507)	(7,782)	(63,289)
Balance at December 31, 2013	$ 31,764	$ 0	$ 0	$ 31,764
Depreciation and impairment losses				
Balance at December 31, 2011	$ 25,703	$ 30,702	$ 5,613	$ 62,018
Depreciation	1,818	4,961	1,531	8,310
Disposals	0	0	0	0
Balance at December 31, 2012	$ 27,521	$ 35,663	$ 7,144	$ 70,328
Depreciation	1,273	1,984	638	3,895
Disposals	0	(37,647)	(7,782)	(45,429)
Balance at December 31, 2013	$ 28,794	$ 0	$ 0	$ 28,794
Carrying amounts				
At December 31, 2012	$ 4,243	$ 19,844	$ 638	$ 24,725
At December 31, 2013	$ 2,970	$ 0	$ 0	$ 2,970

Expressed in Canadian Dollars

8. SHARE CAPITAL

a) Authorized: Unlimited number of common shares

b) Issued:

	Number of Shares	Amount
Balance at December 31, 2011	50,759,326	6,101,049
Share issue per property lease (note 8a)	200,000	10,000
Balance at December 31, 2012	50,959,326	$ 6,111,049
Share issue (note 10d)	1,050,000	10,500
Cost of share issue		(750)
Balance at December 31, 2013	52,009,326	$ 6,120,799

c) On March 30, 2012 the Company entered into an agreement to acquire a lease (40 acres, 16 ha) in exchange for 200,000 common shares of the Company at $0.05 per share; the transaction closed on May 10, 2012.

d) On September 30, 2013 the Company completed a non-brokered private placement of 1,050,000 working capital units at $0.02 per unit to raise $21,000. Each unit was comprised of one common share and one warrant.

Each whole warrant is exercisable for a common share of the Company at an exercise price of $0.05 on or before September 30, 2014 and thereafter at an exercise price of $0.10. The warrants expire on September 30, 2015 provided that if the average closing price of the Company's common shares is over $0.15 per share for 20 consecutive trading days ending more than four months after closing of this offering, the Company may give written notice to the holders of the warrants changing the expiry date to a date which is not less than 30 days following that written notice.

Expressed in Canadian Dollars

9. SHARE BASED PAYMENTS

a) Share Purchase Warrants

	Number of warrants	Weighted average Exercise price	Value of warrants
Balance, December 31, 2011	6,682,803	$ 0.15	$ 427,083
Granted, private placements	0	0	0
Exercised	0	0	0
Expired or cancelled	(5,067,136)	0.15	(378,613)
Balance, December 31, 2012	1,615,667	$ 0.12	$ 48,470
Granted, private placements	1,050,000	0.08	10,500
Exercised	0	0	0
Expired or cancelled	(1,615,667)	0.12	(48,470)
Balance, December 31, 2013	1,050,000	$ 0.08	$ 10,500

Date of Expiry	Number of Warrants	Exercise Price	Grant Date Fair Value of Warrants
30-Sept 15	1,050,000	$0.08	$10,500

The warrants granted were valued using the Black-Scholes option pricing model with the following assumptions, quoted at their weighted averages.

	2013	2011	2010
Expected dividend yield	0	0	0
Expected volatility	152%	159%	136%
Risk free interest rate	1.19%	0.92%	1.53%
Expected life	1.5 years	1.5 years	1.5 to 2 years

Expressed in Canadian Dollars

9. SHARE BASED PAYMENTS cont'd

b) Share Purchase Options

In October 2005, the Company's Board of Directors approved a new stock option plan. Under the terms of the Company's new stock option plan, a maximum of 10% of the issued and outstanding common shares have been reserved for issuance to the Company's directors, officers, employees and eligible consultants. The new stock option plan was approved by the Company's non participatory shareholders on May 24, 2006.

The following is a summary of changes in options from January 1, 2012 to December 31, 2012

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the Year Granted	Exercised	Cancelled	Closing Balance	Vested and Exercisable	Unvested
06/18/07	06/18/12	$0.20	40,000	0	0	40,000	0	0	0
10/16/07	10/16/12	$0.20	780,000	0	0	780,000	0	0	0
11/19/07	11/19/12	$0.20	60,000	0	0	60,000	0	0	0
03/11/09	03/11/14	$0.20	220,000	0	0	0	220,000	220,000	0
06/01/10	06/01/15	$0.20	120,000	0	0	120,000	0	0	0
06/25/10	06/25/15	$0.20	1,020,000	0	0	0	1,020,000	1,020,000	0
01/05/11	01/05/16	$0.20	170,000	0	0	170,000	0	0	0
04/01/11	04/01/16	$0.12	1,560,000	0	0	0	1,560,000	1,560,000	0
			3,970,000	0	0	1,170,000	2,800,000	2,800,000	0
Weighted average exercise price			$0.16	$0.00	$0.00	$0.20	$0.16	$0.16	$0.00

The following is a summary of changes in options from January 1, 2013 to December 31, 2013

Date	Date	Price	Balance	Granted	Exercised	Cancelled	Balance	Exercisable	
03/11/09	03/11/14	$0.20	220,000	0	0	0	220,000	220,000	0
06/25/10	06/25/15	$0.20	1,020,000	0	0	0	1,020,000	1,020,000	0
04/01/11	04/01/16	$0.12	1,560,000	0	0	0	1,560,000	1,560,000	0
			2,800,000	0	0	0	2,800,000	2,800,000	0
			$0.16	$0.00	$0.00	$0.00	$0.16	$0.16	$0.00

The options granted were valued using the Black-Scholes option pricing model with the following assumptions, quoted at their weighted averages.

	2011	**2010**
Expected dividend yield	0%	0%
Expected volatility	96.58%	135.85%
Risk-free interest rate	2.56%	2.35%
Expected life	5 years	5 years

Expressed in Canadian Dollars

10. INCOME TAXES

a) Provision for income taxes

Major items causing the Company's tax rate to differ from the combined federal and provincial statutory rate of 26.50% (26.50% - 2012) are as follows:

	December 31, 2013	December 31, 2012
Loss before income taxes	$ 2,387,290	$ 454,819
Income tax recovery at the statutory rate	$ 632,632	$ 120,527
Adjustments:		
Exploration expenditures (capitalized) amortized	(525,990)	(1,198)
Renounced mineral expenditures on flow through shares	0	(54,921)
Non capital losses (not utilized) utilized	(107,431)	(64,512)
Other	789	104
Flow-through share premium	0	(41,450)
Deferred income tax (recovery)	$ 0	$ (41,450)

b) Future tax balances

The effects on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes are as follows:

	December 31, 2013	December 31, 2012
Future income tax liability		
Renounced exploration expenditures on flow-through shares	$ 0	$ (54,921)
Future income tax assets		
Non - capital losses carried forward	1,748,656	1,647,797
Canadian development and exploration expenditures	735,552	738,814
Total future tax assets	2,484,208	2,386,611
Valuation allowance for future tax assets	(2,484,208)	(2,331,690)
Future income tax assets	0	54,921
Net future income tax liability and assets	$ 0	$ 0

c) Tax loss carry forwards

As at December 31, 2013, the Company has federal non-capital loss carry forwards of approximately $6,598,700 for Canadian income tax purposes and approximately $2,775,668 of various classes of exploration expenditures, which under certain circumstances can be used to reduce the taxable income of future years.

11. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company has designated its cash as held-for-trading, measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at December 31, 2013 and December 31, 2012, the carrying value of the Company's financial instruments represent their fair value.

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

Fair Value Hierarchy and Liquidity Risk Disclosure

The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) 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 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of these amendments resulted in additional disclosures in the notes to the consolidated financial statements.

At December 31, 2013 and as at December 31, 2012, the Company's financial instruments that are carried at fair value, consisting of available for sale investments have been classified as Level 1 within the fair value hierarchy.

Credit Risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is maintained at a major financial institution. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore management believes bear minimal risk.

Liquidity Risk

As at December 31, 2013, the Company had a cash balance of $10,006 (December 31, 2012 - $116,648) to settle current liabilities of $580,534 (December 31, 2012 - $441,191) The deficiency is expected to be addressed in the near term by completing one or more equity and/or debt financings. Alternatively, if completion of additional financing in the near term is delayed, the Company may consider the sale of non-core assets to assist it in meeting its ongoing capital requirements.

Market Risk

a) Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. 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. The Company has no loans and consequently is not required to hedge against interest rate risk.

b) Foreign Currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

c) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

d) Fair values

The estimated fair value of the Company's financial instruments has been determined based on the Company's assessment of available market information and appropriate valuation methodologies. However, these estimates may not necessarily be indicative of the amounts that the Company could realize in a current market exchange. The Company's cash, funds held in trust and accounts payable and accrued liabilities are considered financial instruments. The estimated fair values of these financial instruments approximate their carrying amounts because of the limited terms of these instruments.

Expressed in Canadian Dollars

12. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The capital of the company consists of share capital, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the company will be able to raise funds in the future. All equity financing requires the approval of the Board of Directors. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 and December 31, 2012.

13. RELATED PARTY TRANSACTIONS

Remuneration of directors and key management personnel during the years ended December 31, 2013 and December 31, 2012 was:

	December 31, 2013	December 31, 2012
Management salaries and fees	$ 165,386	$ 370,147
Travel allowance	0	17,250
	$ 165,386	$ 387,397

For the year ended December 31, 2013, $0 ($53,468 – 2012) of the management fees and salaries were allocated to exploration and evaluation assets. At December 31, 2013, accounts payable included $308,917 (December 31, 2012 - $191,917) due to related parties.

14. SEGMENTAL REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

Expressed in Canadian Dollars

15. BASIC AND FULLY DILUTED EARNINGS PER SHARE

The following table sets forth the calculation of the basic and diluted earnings per share:

	Years Ended	
	December 31, 2013	**December 31, 2012**
Basic earnings available to common shareholders	$ (2,387,290)	$ (420,869)
Weighted average number of common shares outstanding basic	51,309,326	50,892,659
Basic earnings per share	$ (0.047)	$ (0.008)
Weighted average number of common shares outstanding	51,309,326	50,892,659
Assumed exercise of outstanding dilutive options and warrants	3,850,000	4,415,667
Shares purchased from proceeds of assumed exercise options and warrants	(24,018,571)	(10,506,609)
Weighted average number of common shares outstanding - diluted	31,140,7559	44,801,717
Basic and diluted earnings per share	$ (0.047)	$ (0.008)

The effects of the stock options for the years ended December 31, 2013 and 2012 have been excluded from the calculations of diluted earnings per share as it would be anti-dilutive.

16. PROVISIONS

The Company has agreed to indemnify certain subscribers of current and previous flow-through share offerings against any income tax payable by the subscriber in the event the Company does not meet its expenditure commitments.

During the years 2005 to 2008, the Company issued flow-through common shares for gross proceeds of $1,550,000 from private placement offerings of securities. In accordance with the terms of these flow-through share offerings and pursuant to certain provisions of the Income Tax Act (Canada) (the “Act”), the Company renounced for income tax purposes these exploration expenditures and was obligated to spend these funds on Qualifying Canadian Exploration Expenditures (“CEE”).

Following an audit by Canada Revenue Agency (“CRA”) of the Company’s CEE for 2005 to 2008 which was substantially completed prior to December 31, 2011, the CRA has taken the position that only $590,801 of flow-through proceeds was spent on CEE. On this basis, the remainder of $959,199 is potentially subject to tax in accordance with Part XII.6 of the Act and, together with related penalties and interest, $191,340 has been included in accrued liabilities as at December 31, 2011. On April 4, 2012, CRA issued Notices of Assessment and Reassessment to the Company totaling $191,340 including penalties and interest which has been included in accrued liabilities. The Company has filed Notices of Objection to dispute CRA’s interpretation and the validity of the Notices of Assessment and Reassessment.

In accordance with the terms of subscription agreements with certain purchasers of flow-through shares, the Company has agreed to indemnify such investors for an amount equal to the amount of any income tax payable, or income tax that may become payable, by the purchaser, under the Act, as a result of any reduction of previously renounced CEE. The Company has also estimated the potential liability resulting from any claims which may arise as a result of possible reassessments denying CEE claimed by investors in 2005 to 2008 to be $633,071 which has been included in accrued liabilities as at December 31, 2013 and December 31, 2012. The actual liability will depend upon a number of factors including the personal tax income tax positions of the investors and the Company’s success in its objection proceedings with CRA. The outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company’s favour.

17. Subsequent Events

a) Subsequent to the year end the Company sold its 1.5% NSR royalty on the Ivanhoe property for $50,000.

b) In exchange for extending the time for payment of an advance royalty payment of $11,500 and for a subsequent royalty payment of $10,000 due on April 11, 2014, the Company has agreed to grant Skead Holdings Ltd an option for 100,000 shares of the Company with an exercise price of $0.10 per share.