LORNEX CAPITAL INC.

Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

To the Shareholders of Lornex Capital Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of Lornex Capital Inc.'s external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board of Directors, Audit Committee and management to discuss their audit findings.

April 24, 2014

" Jordan Shaprio "	*" Nilda Rivera "*
Jordan Shapiro, CEO	Nilda Rivera, CFO

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Lornex Capital Inc.:**

We have audited the accompanying consolidated financial statements of Lornex Capital Inc. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended and the related notes, which comprise 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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.

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

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

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Lornex Capital Inc. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Lornex Capital Inc. to continue as a going concern.

MNP LLP

April 24, 2014
Vancouver, British Columbia

Chartered Accountants

LORNEX CAPITAL INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2013	December 31, 2012
	$	$
Assets		
Current:		
Cash and cash equivalents	746,216	925,794
Amounts receivable	6,659	10,136
Prepaid expenses and deposits	7,000	2,255
	759,875	938,185
Equipment	2,113	2,968
	761,988	941,153
Liabilities		
Current:		
Accounts payable and accrued liabilities	13,124	13,242
Shareholders' equity		
Share capital (Note 6)	4,197,736	4,197,736
Reserves (Note 6)	117,368	167,349
Deficit	(3,566,240)	(3,437,174)
	748,864	927,911
	761,988	941,153

Nature of Operations (Note 1)

The consolidated financial statements were approved by the Board of Directors on April 24, 2014 and were signed on its behalf by:

"Jordan Shapiro"

Director

"Allan Larmour"

Director

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

LORNEX CAPITAL INC.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Years Ended December 31, 2013	2012
	$	$
Administrative Expenses:		
Bank charges	183	305
Consulting fees	-	3,000
Depreciation	855	1,209
Management fees (Note 7)	43,200	64,800
Office, rent and administration (Note 7)	103,165	82,346
Professional fees (Note 7)	14,694	20,897
Regulatory fees	8,295	8,302
Share-based payments (Note 6)	1,396	52,052
Transfer agent	4,737	6,366
Travel, promotion and shareholder communication	9,627	24,936
	186,152	264,213
Loss before other item	(186,152)	(264,213)
Other items:		
Interest income	9,069	9,648
Impairment of exploration and evaluation asset	(3,360)	(92,317)
	5,709	(82,669)
Comprehensive loss for the year	(180,443)	(346,882)
Loss per common share – basic and diluted	(0.03)	(0.05)
Weighted average number of common shares outstanding – basic and diluted	7,190,662	7,190,116

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

LORNEX CAPITAL INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

		Share capital		Reserves			Deficit	Total
	Notes	Common shares	Amount	Stock options	Warrants	Total		shareholders' equity
		#	$	$	$	$	$	$
Balance, December 31, 2011		**7,090,662**	**4,175,770**	**115,297**	**6,666**	**121,963**	**(3,090,292)**	**1,207,441**
Comprehensive loss for the year		-	-	-	-	-	(346,882)	(346,882)
Share-based payments		-	-	52,052	-	52,052	-	52,052
Private placement	6(c)	100,000	17,000	-	-	-	-	17,000
Share issue costs		-	(1,700)	-	-	-	-	(1,700)
Expired finders' warrants		-	6,666	-	(6,666)	(6,666)	-	-
Balance, December 31, 2012		**7,090,662**	**4,197,736**	**167,349**	**-**	**167,349**	**(3,437,174)**	**927,911**
Comprehensive loss for the year		-	-	-	-	-	(180,443)	(180,443)
Share-based payments		-	-	1,396	-	1,396	-	1,396
Forfeited options		-	-	(51,377)	-	(51,377)	51,377	-
Balance, December 31, 2013		**7,190,662**	**4,197,736**	**117,368**	**-**	**117,368**	**(3,566,240)**	**748,864**

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

LORNEX CAPITAL INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended December 31, 2012	2012
	$	$
Operating activities:		
Loss for the year	(180,443)	(346,882)
Adjustments for non-cash items:		
Depreciation	855	1,209
Share-based payments	1,396	52,052
Impairment of exploration and evaluation asset	-	92,317
Changes in non-cash working capital items:		
Amounts receivable	3,477	5,528
Prepaid expenses and deposits	(4,745)	(255)
Accounts payable and accrued liabilities	(118)	(1,972)
	(179,578)	(198,003)
Investing activity:		
Exploration and evaluation assets	-	(3,360)
Financing activities:		
Shares issued for cash	-	17,000
Share issue costs	-	(1,700)
	-	15,300
Decrease in cash and cash equivalents	(179,578)	(186,063)
Cash and cash equivalents, beginning of year	925,794	1,111,857
Cash and cash equivalents, end of year	746,216	925,794

Cash and cash equivalents are comprised of the following:		
Cash	16,216	6,794
Guaranteed Investment Certificates	730,000	919,000
	746,216	925,794

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

1. Nature of Operations

The Company was incorporated on July 26, 2000 under the Canada Business Corporations Act and is engaged in the acquisition, exploration and development of mineral properties in Canada. The Company's common shares are traded on the TSX Venture Exchange ("Exchange") under the symbol "LOM".

The head office, principal address and records office of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's registered office address is Suite 700 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized for mineral properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the exploration and development of its resource properties, the discovery of economically recoverable reserves, the attainment of future profitable production or proceeds from disposition of the Company's resource properties. The outcome of these matters cannot be predicted at this time.

At December 31, 2013, the Company had not yet achieved profitable operations and has accumulated losses of $3,566,240 (December 31, 2012 -$3,437,174). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to achieve any of the foregoing and continue as a going concern. Any adjustment required to the amounts and reclassification of assets and liabilities may be significant.

Management has estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations during the year ending December 31, 2014. The Company will require additional financing as it determines to acquire additional properties or accelerate its work programs. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

2. Summary of Significant Accounting Policies

The financial statements were authorized for issue on April 24, 2014, by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of presentation and consolidation

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

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Rosswoll Industries Inc., incorporated in British Columbia. All significant intercompany balances and transactions were eliminated on consolidation.

The consolidated financial statements of the Company were prepared on the historical cost basis.

(b) Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are

2. Summary of Significant Accounting Policies (Continued)

(b) Use of estimates and judgments (Continued)

believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas requiring a significant degree of estimation and judgment relate to the assessment of the Company's ability to continue as a going concern, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments and the estimated useful life and recoverability of equipment. Actual results may differ from those estimates and judgments.

(c) Functional and presentation of foreign currency

The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency, both the parent and subsidiary use the Canadian dollar as their functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognised in the income statement and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as available-for-sale are reported as part of the fair value gain or loss and are included in equity.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, Guaranteed Investment Certificates (GICs), deposits in banks and highly liquid investments with an original maturity of three months or less. GICs have an original maturity term of more than three months and less than a year and can be withdrawn on demand.

(e) Equipment

Equipment is carried at acquisition cost less accumulated depreciation. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The annual rate used to compute depreciation is as follows:

Computer hardware	declining-balance basis	30%
Office equipment	declining-balance basis	20%

The depreciation method, useful life and residual values are assessed annually.

Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognised when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised as an expense as incurred.

2. Summary of Significant Accounting Policies (Continued)

(f) Exploration and evaluation assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage.

Once a right to explore a mineral property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that mineral property are reclassified to mining property and development assets within property, plant and equipment. Upon transfer to property, plant and equipment, the relevant costs will be analyzed for impairment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net earnings as exploration and evaluation expense.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective mineral properties.

(g) Decommissioning obligations

The liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning costs will be amortized to expense over the life of the related assets using the units-of-production method. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at December 31, 2013 and 2012, the Company determined that it did not have material decommissioning obligations.

(h) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. Summary of Significant Accounting Policies (Continued)

(i) Share capital

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

(j) Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are transferred to deficit in the year of forfeiture or expiry.

(k) Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

Due to the losses for the years ended December 31, 2013 and 2012, basic loss per share was equal to dilutive loss per share for the years presented.

(l) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss, components of other comprehensive income are presented in the Consolidated Statements of Comprehensive Loss and the Consolidated Statements of Changes in Equity.

(m) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities at amortized cost.

2. Summary of Significant Accounting Policies (Continued)

(m) Financial instruments (Continued)

(i) Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss are either 'held-for-trading' or classified at fair value through profit or loss. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

The Company does not have any financial assets and liabilities at fair value through profit and loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Company has classified its cash and cash equivalents and other receivables as loans and receivables.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost.

The Company does not hold any held-to-maturity investments.

(iv) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

The Company does not hold any available-for-sale assets.

(v) Financial liabilities at amortized cost

Non-derivative financial liabilities (excluding financial guarantees) are recorded at the date of obligation at fair value and are subsequently measured at amortized cost using the effective interest method.

The Company has classified its accounts payable and accrued liabilities as other liabilities.

The Company has no financial instruments that give rise to other comprehensive income. Instruments are classified as current if they are assumed to be settled within one year, otherwise, they are classified as non-current. The Company will assess at each reporting period whether there is any objective evidence that a financial asset, other than those measured at fair value, is impaired. When assessing impairment, the carrying value of financial assets carried at amortized cost is compared to the present value of estimated future cash flows, discounted using the instrument's original effective interest rate. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in income or loss.

2. Summary of Significant Accounting Policies (Continued)

(n) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(Expressed in Canadian Dollars)

3. New Accounting Pronouncements

The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein.

(a) IFRS 9, Financial Instruments

IFRS 9 Financial Instruments was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in *IAS 39 Financial Instruments – Recognition and Measurement* for financial assets with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. 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 changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. IFRS 9 amends some of the requirements of *IFRS 7 Financial Instruments – Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. In December 2011, amendments to IFRS 7 were issued to require additional disclosures on transition from IAS 39 to IFRS 9. In November 2013, IFRS 9 was amended to include guidance on hedge accounting and to allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in the entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income (without having to adopt the remainder of IFRS 9).

In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement requirements. The Corporation has not yet determined what the impact will be on its financial statements from the adoption of IFRS 9.

4. Property, Plant and Equipment

	Computer hardware	Office equipment	Total
	$	$	$
Costs:			
Balance, December 31, 2011, 2012 and 2013	5,775	490	6,265
Depreciation:			
Balance, December 31, 2011	2,039	49	2,088
Charge for the year	1,121	88	1,209
Balance, December 31, 2012	3,160	137	3,297
Charge for the year	784	71	855
Balance, December 31, 2013	3,944	208	4,152
Carrying amounts:			
December 31, 2012	2,615	353	2,968
December 31, 2013	1,831	282	2,113

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

Cumulative expenditures incurred by the Company on its property are summarized as follows:

	$
Balance, December 31, 2011	88,957
Exploration:	
Property maintenance costs	3,360
Impairment	(92,317)
Balance, December 31, 2012	-
Exploration:	
Property maintenance costs	3,360
Impairment	(3,360)
Balance, December 31, 2013	-

The Company acquired a 100% interest in the AMI claims by staking and purchase by way of the issuance of 300,000 common shares of the Company valued at $75,000 and a cash payment of $77,030. The property is subject to a 1% NSR royalty.

On September 10, 2012, certain claims have lapsed and as a result, during the year ended December 31, 2013, the Company recognized an impairment of $3,360 (2012 - $92,317) on the property.

6. Share Capital and Reserves

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued share capital

As at December 31, 2013, there were 7,190,622 issued and fully paid common shares (December 31, 2012 - 7,190,622).

(c) Shares issuances

On January 3, 2012, the Company completed a non-brokered private placement of 100,000 units at a price of $0.17 per unit for gross proceeds of $17,000. Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of $0.25 per common share for a period of two years expiring January 3, 2014. The warrants are subject to an acceleration provision whereby if at any time from four months and one day after the closing of the financing, the closing price of the Company's common shares on the Exchange over a period of 10 consecutive trading days exceeds $0.35, the Company may, at its option, provide notice to the warrant holders that the warrants will expire on the date which is 30 calendar days after the date of such notice. The Company paid a finder’s fee of $1,700 with respect to the private placement.

(Expressed in Canadian Dollars)

6. Share Capital and Reserves (Continued)

(d) Warrants

The continuity of share purchase warrants issued and outstanding is as follows:

	Warrants	Weighted Average Exercise Price
	#	$
Balance, December 31, 2011	1,726,872	0.67
Private placement	50,000	0.25
Expired	(579,997) [1]	1.50
Balance, December 31, 2012	1,196,875	0.25
Expired	(1,146,875)	0.25
Balance, December 31, 2013	50,000	0.25

[1] Of these warrants, 8,886 were finders' warrants with a fair value of $6,666. During the year ended December 31, 2012, this amount was reclassified from reserves to share capital upon expiry.

Share purchase warrants outstanding at December 31, 2013 are as follows:

Warrants	Exercise Price	Expiry Date
#	$	
50,000	0.25	January 3, 2014

(e) Stock options

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the plan have a term not to exceed 10 years and vesting periods that range from zero to 18 months.

The continuity of stock options issued and outstanding is as follows:

	Options Outstanding	Weighted Average Exercise Price
	#	$
Balance, December 31, 2011	471,334	0.21
Granted	185,000	0.245
Balance, December 31, 2012	656,334	0.22
Forfeited	(132,333) [1]	0.23
Balance, December 31, 2013	524,001	0.22

The weighted average of remaining life of outstanding options as of December 31, 2013 is 3.64 years (2012 - 3.93 years).

[1] During the year ended December 31, 2013, the fair value of 132,333 forfeited options of $51,377 was reclassified from reserves to deficit.

(Expressed in Canadian Dollars)

6. Share Capital and Reserves (Continued)

(e) Stock options (Continued)

Stock options outstanding at December 31, 2013 are as follows:

Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
$	#		#
0.21	86,667	April 17, 2019	86,667
0.21	53,334	June 14, 2020	53,334
0.21	209,000	October 5, 2016	209,000
0.245	175,000	January 5, 2017	175,000
	524,001		524,001

The Company uses the fair value method of accounting for all share-based compensation to directors, officers, employees and consultants providing similar service. During the year ended December 31, 2013, the Company recorded share-based payments of $1,396 (2012 - $52,052) for stock options granted and vested during the year.

The fair values of the stock options granted were estimated on the respective grant dates using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2013	2012
Risk free interest rate	-	1.10%
Expected dividend yield	-	0%
Expected stock price volatility	-	114.50%
Expected life	-	4.19 years

The weighted average fair value of options granted during the year ended December 31, 2013 was $nil (2012 - $0.19) per option.

7. Related Party Balances and Transactions

(a) Related party transactions

The Company incurred the following transactions with companies having directors in common:

	2013	2012
	$	$
Office, rent and administration[1]	78,100	71,500
Legal fees	1,707	782
	79,807	72,282

[1] Of these fees, $27,000 (2012 - $14,400) includes management fee paid to the CFO of the Company.

(Expressed in Canadian Dollars)

7. Related Party Balances and Transactions (Continued)

(b) Compensation of key management personnel

	2013	2012
	$	$
Short-term benefits - management fees	70,200	79,200
Share-based compensation	1,320	15,969
	71,520	95,169

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and consist of its Directors, Chief Executive Officer and Chief Financial Officer.

(c) Related party balances

The following related party amounts are included in prepaid expenses and deposits:

	2013	2012
	$	$
Company having directors and officers in common	2,000	2,000

8. Financial Instruments and Risk Management

(a) Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities. Cash and cash equivalents and other receivables are classified as loans and receivables and are carried at their amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at their amortized cost.

The carrying values of the Company's financial assets and liabilities approximate their fair values due to the relatively short periods to maturity of these instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

(Expressed in Canadian Dollars)

8. Financial Instruments and Risk Management (Continued)

(a) Fair value of financial instruments (Continued)

	Carrying value	2013	2012	Fair value hierarchy
			$	
Financial assets				
Loans and receivables:				
Cash and cash equivalents	Amortized cost	746,216	925,794	N/A
Other receivables	Amortized cost	6,659	10,136	N/A
		752,785	935,930	
Financial liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities	Amortized cost	13,124	13,242	N/A

(b) Financial instruments risk

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes:

(i) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances and short-term bank guaranteed investment certificates at the bank and amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Other receivables consist of interest receivables of $5,475.

(ii) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at December 31, 2013, the Company had a cash balance of $746,216 to settle accounts payable and accrued liabilities of $13,124 that are considered short term and settled within 30 days. Management expects that the Company has sufficient liquidity and additional financing will be available to meet its requirements for fiscal 2014.

(iii) Market risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash attract interest at floating rates and have maturities of 90 days or less. The Company's short-term investments are invested in GICs with greater than 90 day terms but not greater than one year. These GICs have a fixed interest rate for the term of the deposit. The interest on cash and GICs is typical of Canadian banking rates, which are low at present and the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

(Expressed in Canadian Dollars)

9. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares or debt or sell assets to settle liabilities.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company has no debt and is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended December 31, 2013.

10. Income Taxes

The following table reconciles the expected income tax expenses (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2013 and December 31, 2012:

	2013	2012
	$	$
Profit (loss) before income taxes	(180,443)	(346,882)
Canadian statutory tax rate	25.75%	25.00%
Expected income tax expense (recovery)	(46,464)	(86,721)
Differences resulting from:		
Non-deductible items	658	15,651
Change in estimates	(8,948)	
Change in tax rate	(32,372)	(31,569)
Foreign Tax Rate Difference		(425)
Change in deferred tax asset not recognized	87,126	103,064
Provision for income taxes	-	-

The British Columbia corporate tax rate has increased during the year, resulting in an increase in the Company's combined statutory tax rate.

Deferred tax reflects the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at December 31, 2013 and December 31, 2012 are comprised of the following:

(Expressed in Canadian Dollars)

10. Income Taxes (Continued)

	2013	2012
	$	$
Deferred tax assets - Canada		
Non-capital loss carry forwards	511,374	453,152
Property and Equipment	8,914	8,358
Exploration and evaluation assets	352,002	337,623
Financing costs	4,064	7,525
	876,354	789,229
Deferred tax asset not recognized	876,354	(789,229)
Net deferred tax asset	-	-

The Company has non-capital loss carryforwards of approximately $,1,966,824 (2012 – $1,742,982) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	$
2014	145,882
2015	159,744
2026	126,327
2027	45,664
2028	199,093
2029	214,600
2030	281,576
2031	363,624
2032	242,173
2033	188,141
Total	1,966,824

11. Subsequent events

Subsequent to December 31, 2013, the Company granted stock options to certain directors and employees of the Company to purchase an aggregate of 195,000 common shares at an exercise price of $0.10 per share, expiring 10 years from date of grant.

In addition, the Company amended the terms of previously granted stock options to purchase an aggregate of 524,001 common shares at exercise prices ranging from $0.21 to $0.245 per share, having expire dates between 2016 an 2020. The exercise price has been reduced to $0.10 per share. Insiders hold 138,332 of the options and disinterested shareholder approval for the re-pricing of these options will be sought at the Company's next AGM. The Company also extended the term by five years of 384,000 of the 524,000 options, initially issued for a term of five years. Of the options extended, 209,000 options will now expire on Oct. 5, 2021 and 175,000 options on Jan. 5, 2022.