CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Corazon Gold Corp.

We have audited the accompanying consolidated financial statements of Corazon Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficit) 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.

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 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 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 auditors consider 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Corazon Gold Corp. as at December 31, 2013 and 2012 and its financial performance and its 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 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Corazon Gold Corp. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

April 30, 2014

CORAZON GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at		December 31, 2013		December 31, 2012
ASSETS				
Current				
Cash and cash equivalents (Note 5)	$	14,394	$	1,657,808
Receivables, deposits and prepaid expenses (Note 6)		40,766		146,402
Marketable securities (Note 7)		-		32,000
		55,160		1,836,210
Reclamation bond		46,932		46,284
Property and equipment (Note 8)		-		224,193
Exploration and evaluation assets (Note 9)		-		4,737,298
	$	102,092	$	6,843,985
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
Current				
Accounts payable and accrued liabilities	$	502,830	$	501,253
Shareholders' equity (deficit)				
Share capital (Note 10)		17,481,328		17,170,268
Commitment to issue shares (Note 10)		-		288,560
Reserves (Note 10)		2,349,151		2,328,854
Accumulated other comprehensive income / loss		72,309		(9,191)
Deficit		(20,303,526)		(13,435,759)
		(400,738)		6,342,732
	$	102,092	$	6,843,985

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on April 30, 2014

"Bradley Scharfe"	Director	*"Jason Scharfe"*	Director
Bradley Scharfe		Jason Scharfe	

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

CORAZON GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the year ended December 31	2013	2012
EXPENSES		
Consulting	$ 199,747	$ 87,827
Corporate development	11,654	358,452
Depreciation (Note 8)	58,558	86,610
Office	327,247	296,817
Professional fees	35,379	256,234
Property examination costs	111,891	515,535
Regulatory and filing	36,937	51,374
Salaries and benefits	294,737	491,771
Share-based payments (Note 10)	20,297	352,368
Travel and accommodation	63,998	67,189
	(1,160,445)	(2,564,177)
EXPENSES		
Foreign exchange	(10,656)	(12,628)
Interest income	4,152	63,361
Realized loss on marketable securities (Note 7)	(24,521)	-
Write-off of property and equipment (Note 8)	(87,630)	-
Write-off of receivables and deposits	(61,667)	-
Realized loss on sale of property and equipment (Note 8)	(25,089)	-
Impairment of exploration and evaluation assets (Note 9)	(5,501,911)	(1,198,152)
Loss for the year	(6,867,767)	(3,711,596)
OTHER COMPREHENSIVE INCOME (LOSS)		
Exchange differences on translating foreign operations	69,500	(14,505)
Unrealized loss on marketable securities	-	(12,000)
Realized loss on marketable securities	12,000	-
Comprehensive loss for the year	$ (6,786,267)	$ (3,738,101)
Basic and diluted loss per common share	$ (0.93)	$ (0.79)
Weighted average number of common shares outstanding	7,420,091	4,712,656

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

CORAZON GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the year ended December 31		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(6,867,767)	$	(3,711,596)
Non-cash items:				
Depreciation		58,558		86,610
Share-based payments		20,297		352,368
Impairment of exploration and evaluation assets		5,501,911		1,198,152
Write-off of property and equipment		87,630		-
Write-off of receivables and deposits		61,667		
Loss on sale of property and equipment		25,089		-
Loss on sale of marketable securities		24,521		-
Unrealized foreign exchange		(648)		-
Changes in non-cash working capital items:				
Receivables, deposits and prepaid expenses		71,469		(15,799)
Accounts payable and accrued liabilities		238,036		(128,916)
		(779,237)		(2,219,181)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment		(6,225)		(33,820)
Loan receivable		-		175,000
Sale of property and equipment		28,108		29,756
Sale of marketable securities		19,480		-
Acquisition of ICN		-		37,397
Exploration and evaluation expenditures		(978,572)		(1,700,995)
		(937,209)		(1,492,662)
Change in cash and cash equivalents during the year		(1,716,446)		(3,711,843)
Effect of exchange rates on cash holdings in foreign operations		73,032		(21,007)
Cash and cash equivalents, beginning of year		1,657,808		5,390,658
Cash and cash equivalents, end of year	$	14,394	$	1,657,808
Amounts paid for taxes	$	-	$	-
Amounts paid for interest	$	-	$	-

Supplemental disclosure with respect to cash flows (Note 15)

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

CORAZON GOLD CORP.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Expressed in Canadian Dollars)

	Share capital						
	Number	**Amount**	**Commitment to issue shares**	**Reserves**	**Accumulated other comprehensive income / loss**	**Deficit**	**Total**
Balance, December 31, 2011	4,033,103	$ 13,842,226	$ -	$ 1,843,984	$ 17,314	$ (9,724,163)	$ 5,979,361
Share-based payments	-	-	-	456,720	-	-	456,720
Other comprehensive loss	-	-	-	-	(26,505)	-	(26,505)
Acquisition of ICN Resources Ltd. (Note 2)	3,169,565	3,328,042	288,560	-	-	-	3,616,602
Acquisition cost – warrants (Note 2)	-	-	-	28,150	-	-	28,150
Loss for the year	-	-	-	-	-	(3,711,596)	(3,711,596)
Balance, December 31, 2012	7,202,668	17,170,268	288,560	2,328,854	(9,191)	(13,435,759)	$ 6,342,732
Acquisition of ICN Resources Ltd. (Note 2)	392,571	288,560	(288,560)	-	-	-	-
Shares issued – exploration and evaluation assets (Note 9)	50,000	22,500	-	-	-	-	22,500
Share-based payments	-	-	-	20,297	-	-	20,297
Other comprehensive loss	-	-	-	-	81,500	-	81,500
Loss for the year	-	-	-	-	-	(6,867,767)	(6,867,767)
Balance, December 31, 2013	7,645,239	$ 17,481,328	$ -	$ 2,349,151	$ 72,309	$ (20,303,526)	$ (400,738)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Corazon Gold Corp. (the "Company"), formerly ReMac Zinc Corp., was incorporated on April 20, 2005, under the laws of the province of Alberta, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada, United States of America and Nicaragua. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "CGW".

The Company's head office, registered and records office is 700 – 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8.

On March 25, 2014, the board of directors authorized a 15-for-1 share consolidation. The number of issued and outstanding shares, options, warrants and per share amounts has been retrospectively restated for all periods presented unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

2. ACQUISITION

On October 16, 2012, the Company completed the acquisition of all of the issued and outstanding shares of ICN Resources Ltd ("ICN") in exchange for the issuance of an aggregate 3,444,383 common shares of the Company on the basis of one common share for each common share of ICN of which 3,169,565 have been issued and 274,818 remain to be issued. The Company also granted 193,071 warrants with an estimated fair value of $28,150 using the Black-Sholes Option Pricing Model with a volatility of 81.02%, risk free rate of 1.04% expected life of 1.37 years and a dividend rate of 0% pursuant to the arrangement agreement dated August 10, 2012.

ICN and its subsidiaries, Esmeralda Gold, Inc., Eureka Gold Inc. and Washoe Gold Inc., are principally engaged in the acquisition and exploration of resource properties located in the state of Nevada, United States of America. The acquisition has been accounted for as an asset acquisition.

As a result of the completion of the Transaction, the ICN Shares were delisted from the TSX-V effective at market close on October 18, 2012. Also, ICN ceased to be a reporting issuer in the Provinces of British Columbia and Alberta in accordance with applicable securities laws.

Acquisition costs:

3,169,565 Corazon common shares issued	$ 3,328,042
274,818 Corazon's commitment to issue shares	288,560
193,071 Replacement Warrants issued	28,150
Transaction costs	41,468
	$ 3,686,220

Allocation of acquisition costs:

Cash and cash equivalents	$ 61,614
Other current assets	93,093
Exploration and evaluation assets	3,893,645
Reclamation bond	41,086
Equipment	33,433
Accounts payable and accrued liabilities	(63,298)
Loan payable	(325,000)
Income tax payable	(48,353)
	$ 3,686,220

3. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Critical accounting estimates

i. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

ii. The valuation of shares issued in non-cash transactions are generally based on the value of goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

Critical accounting judgments

i. The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project.

ii. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Basis of consolidation *(cont'd…)*

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	Country of incorporation	2013 and 2012 Percentage owned *
ReMac Zinc Development Corp. ("RMZD")	Canada	100%
0887398 B.C. Ltd.	Canada	100%
0887406 B.C. Ltd.	Canada	100%
Corazon Exploraciones, S.A. ("COEXSA")	Nicaragua	100%
ICN Resources Ltd ("ICN")	Canada	100%
Esmeralda Gold Inc.	USA	100%
Eureka Gold Inc.	USA	100%
Washoe Gold Inc.	USA	100%

The operating results of subsidiaries acquired during the year are included in the statement of operations and comprehensive loss from the effective date of acquisition. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits held and other short-term highly liquid investments with original maturities of three months or less from the date of purchase.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

Available-for-sale financial assets - These 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 on monetary financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Financial instruments *(cont'd…)*

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's marketable securities are classified as available for sale. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by 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 for dilutive instruments. The number of shares in dilutive calculations includes options, warrants, and similar instruments. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major component) of equipment. The cost of replacing or overhauling a component of equipment is recognized in the carrying amount when there is a future economic benefit to the Company and its cost is reasonably determinable. The carrying amount of the replaced component is written off. Costs of repairs and maintenance are charged to the statement of operations and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property and equipment are as follows:

Class of equipment	Depreciation rate
Vehicles	30% declining balance
Office equipment	20% declining balance
Computer equipment	30% and 55% declining balance
Leasehold improvements	3 years straight line

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. Costs related to the acquisition and exploration of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

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

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

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

Provisions

a) Environmental rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Provisions *(cont'd…)*

a) Environmental rehabilitation provisions (cont'd…)

Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the statement of loss and comprehensive loss. The Company had no rehabilitation obligations as December 31, 2013 or December 31, 2012.

b) Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Government assistance and tax credits

Government assistance is recorded as either a reduction of the cost of the applicable asset or credit in the statement of loss and comprehensive loss as determined by the terms and conditions of the agreement under which the assistance is provided to the Company.

Tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of loss and comprehensive loss depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the applicable government agency.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Foreign exchange

The functional currency of each entity in the consolidated group is the currency of the primary economic environment in which it operates. For the Company and all entities excluding COEXSA, this is the Canadian dollar. The functional currency of COEXSA is the US dollar. Transactions denominated in currencies other than the functional currency are recorded using the exchange rates prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit and loss in the period in which they arise. For the purpose of presenting the consolidated financial statements, the assets and liabilities of COEXSA are translated into Canadian dollars at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period where these approximate the rates on the dates of transactions, and where exchange differences arise, they are recognized as a separate component of equity.

New standards, interpretations and amendments adopted

The Company has adopted the following new standards and interpretations effective as of January 1, 2013:

The Company applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 13 Fair Value Measurement. The nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they are not applicable to the annual consolidated financial statements of the Company.

The nature and the impact of each new standard are described below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls 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. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Company.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venture's. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Company does not have any partnerships in JCEs, the adoption of this standard had no impact on the financial statements of the Company.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. The Company has not had any changes in its corporate structure or investments during the period; accordingly, the Company has not made such disclosures.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

New standards, interpretations and amendments adopted *(cont'd…)*

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments, thereby affecting the consolidated financial statements period. The Company provides these disclosures in Note 13.

New standards yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2013:

- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets[(i)]
- IAS 32 (Amendment) — New standard that clarifies requirements for offsetting financial assets and financial liabilities. [(ii)]

(i) Effective date is unknown due to postponement
(ii) Effective for annual periods beginning on or after January 1, 2015

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

5. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	December 31, 2013	December 31, 2012
Cash at bank	$ 14,394	$ 272,808
Guaranteed investment certificates	-	1,385,000
	$ 14,394	$ 1,657,808

6. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	December 31, 2013	December 31, 2012
Value-added tax and GST receivables	$ 4,098	$ 45,078
Other receivables	32,086	$ 54,217
Prepaid expenses	4,582	$ 47,107
	$ 40,766	$ 146,402

7. MARKETABLE SECURITIES

	December 31, 2013	December 31, 2012
Common shares of Pacific Rim Mining Corp.	$ -	$ 32,000
	$ -	$ 32,000

Marketable securities were received as part of the acquisition of ICN. As at December 31, 2012, the 400,000 common shares of Pacific Rim Mining Corp. had a fair value of $32,000. These marketable securities were classified as available-for-sale. During the year ended December 31, 2013, the Company sold the marketable securities for $19,480 and recognized a loss on sale of marketable securities of $36,521.

8. PROPERTY AND EQUIPMENT

	Vehicles	Office equipment	Computer equipment	Leasehold improvements	Total
Cost					
Balance, December 31, 2011	$ 113,362	$ 106,769	$ 35,827	$ 77,454	$ 333,412
Additions	22,772	51,969	7,608	-	82,349
Disposals	(35,639)	-	-	-	(35,639)
Effect of foreign exchange	(2,213)	(122)	(283)	-	(2,618)
Balance, December 31, 2012	98,282	158,616	43,152	77,454	377,504
Additions	-	6,042	-	-	6,042
Disposals	(97,748)	(164,060)	(42,600)	(77,454)	(381,862)
Effect of foreign exchange	(534)	(598)	(552)	-	(1,684)
Balance, December 31, 2013	$ -	$ -	$ -	$ -	$ -
Accumulated depreciation					
Balance, December 31, 2011	$ 31,769	$ 11,817	$ 11,540	$ 12,909	$ 68,035
Depreciation	15,704	23,236	15,397	32,273	86,610
Effect of foreign exchange	(906)	(209)	(219)	-	(1,334)
Balance, December 31, 2012	46,567	34,844	26,718	45,182	153,311
Additions	2,520	25,659	6,175	24,204	58,558
Disposals	(49,620)	(61,132)	(33,396)	(69,386)	(213,534)
Effect of foreign exchange	533	629	503	-	1,665
Balance, December 31, 2013	$ -	$ -	$ -	$ -	$ -
As at December 31, 2012	$ 51,715	$ 123,772	$ 16,434	$ 32,272	$ 224,193
As at December 31, 2013	$ -	$ -	$ -	$ -	$ -

During the year ended December 31, 2013, the Company made the following sales in property and equipment:

- Sold office and computer equipment with a book value of $67,495 at the time of sale to an arm's length third party for $10,000 cash and $27,500 in accounts receivable and recognized a loss on sale of property and equipment of $29,995 on the consolidated statements of loss and comprehensive loss.

- Sold a vehicle with a book value of $13,890 at the time of sale for gross proceeds of $18,796 and recognized a gain of sale of property and equipment of $4,906 on the consolidated statements of loss and comprehensive loss.

9. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation asset expenditures are detailed on the following table:

2013	**Trout Creek (JJ)**	**Hog Ranch and Estill**	**King's River**	**Silver Cliff**	**Goldfield**	**La Ranchera**	**Rio Coco**	**SDL**	**Total**
Balance, December 31, 2012	$ 48,603	$ 1,389,597	$ 81,440	$ 34,348	$ 2,207,287	$ 1,722	$ 902,557	$ 71,743	$ 4,737,298
Acquisition costs									
Cash payments	-	-	-	10,000	12,500	-	-	-	22,500
Common shares issued	-	-	-	30,307	50,000	-	-	-	80,307
	-	-	-	40,307	62,500	-	-	-	102,807
Deferred exploration expenditures									
Assays	-	-	-	-	34,905	-	10,309	-	45,214
Consulting Geological	-	-	-	-	371,445	-	32,629	-	404,074
Corporate Social Responsibility	-	-	-	966	-	-	-	-	966
Land / Legal	-	1,318	-	53,043	47,169	976	-	5,282	107,788
Labour Costs	-	-	-	-	-	-	21,208	-	21,208
Project Administration	-	-	-	3,473	16,014	-	3,633	-	23,120
Surveying and Mapping	-	-	-	-	23,194	-	-	-	23,194
Travel and accommodation	-	-	-	5,860	29,234	-	1,148	-	36,242
	-	1,318	-	63,342	521,961	976	68,927	5,282	661,806
Impairment	(48,603)	(1,390,915)	(81,440)	(137,997)	(2,791,748)	(2,698)	(971,484)	(77,025)	(5,501,911)
Balance, December 31, 2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

9. EXPLORATION AND EVALUATION ASSETS

2012	Trout Creek (JJ)	Hog Ranch and Estill	AWA Property	King's River	Silver Cliff	Rockland - Pine Grove Property	Goldfield	La Ranchera	Rio Coco	SDL	Santo Domingo Project	Total
Balance, December 31, 2011	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Acquisition costs												
Cash payments	-	-	1,987	-	-	-	-	-	-	-	-	1,987
Common shares issued	48,355	1,387,739	71,867	80,628	29,680	239,206	2,036,166	1,722	41,881	17,778	-	3,955,022
	48,355	1,387,739	73,854	80,628	29,680	239,206	2,036,166	1,722	41,881	17,778	-	3,957,009
Deferred exploration expenditures												
Assays	-	-	448	-	-	-	36,221	-	3,373	-	19,717	59,759
Consulting Geological	-	-	-	-	-	-	-	-	85,680	-	58,113	143,793
Corporate Social Responsibility	-	-	-	-	7	-	5,881	-	311,652	46,255	319,913	683,708
Drilling	-	-	-	-	-	-	10,115	-	-	-	205,006	215,121
Land / Legal	248	-	497	248	-	7,352	-	-	-	-	-	8,345
Meals & Entertainment	-	-	-	-	317	-	796	-	-	-	-	1,113
Other Costs	-	-	-	-	-	-	-	-	-	-	8,980	8,980
Labour Costs	-	-	-	-	-	-	44,467	-	220,199	7,710	50,115	322,491
Project Administration	-	1,858	5,729	564	3,711	7,352	52,773	-	167,835	-	57,865	297,687
Surveying and Mapping	-	-	-	-	-	-	-	-	45,630	-	-	45,630
Travel and accommodation	-	-	1,271	-	633	3,778	20,868	-	-	-	4,530	31,080
Wages & Salary	-	-	-	-	-	-	-	-	26,307	-	134,427	160,734
	248	1,858	7,945	812	4,668	18,482	171,121	-	860,676	53,965	858,666	1,978,441
Impairment	-	-	(81,799)	-	-	(257,688)	-	-	-	-	(858,666)	(1,198,152)
Balance, December 31, 2013	$ 48,603	$1,389,597	$ -	$ 81,440	$ 34,348	$ -	$ 2,207,287	$ 1,722	$ 902,557	$ 71,743	$ -	$ 4,737,298

9. EXPLORATION AND EVALUATION ASSETS *(cont'd …)*

La Ranchera Project, Nicaragua

In February 2012, Nicaragua's Ministry of Energy and Mines ("MEM") granted the Company a 25-year exploration and exploitation concession for La Ranchera. The concessions are subject to a 3% government royalty.

During the year ended December 31, 2013, the Company decided not to continue with the La Ranchera Project and wrote-off the balance to the statement of loss and comprehensive loss.

SDL Project, Nicaragua

In February 2012, Nicaragua's MEM granted the Company two exploration and exploitation concessions, Pijibay and Pilatos, in the Santo Domingo-La Libertad mining district. The concessions are subject to a 3% government royalty.

During the year ended December 31, 2013, the Company decided not to continue with the SDL Project and wrote-off the balance to the statement of loss and comprehensive loss.

Rio Coco Project, Nicaragua

In April 2012, the Company was granted three contiguous, 25-year exploration and exploitation concessions by Nicaragua's MEM and the Autonomous Region of the Northern Atlantic ("RAAN"). The three contiguous Arcosa, Azul and Calcedonia concessions are located along the Rio Coco River. The concessions are subject to a 3% government royalty.

During the year ended December 31, 2013, the Company decided not to continue with the Rio Coco Project, and wrote-off the balance to the statement of loss and comprehensive loss.

ReMac Zinc property, BC, Canada

The ReMac Zinc project consisted of several mineral claims located in British Columbia, Canada owned 100% by the Company.

The Company maintains ownership of 1 claim in the ReMac Zinc property which has a $Nil carrying value, and no exploration work is planned in the near future. The Company is currently assessing the viability of continued ownership in the ReMac Zinc property. All resource property expenditures incurred to December 31, 2011 have been impaired. The Company did not incur any resource expenditures on the property during the years ended December 31, 2013 and 2012.

Hog Ranch and Estill Property, Nevada, USA

The Company owned a 100% interest in certain unpatented lode claims and private fee lands (the Estill property), located in Washoe County, Nevada. The Hog Ranch property was included in the ICN acquisition (Note 2).

The Company granted Pacific Rim Mining Corp. ("Pacific Rim") the option to acquire a 65% interest in the Hog Ranch Property (including the unpatented claims) and the Estill fee lands in exchange for Pacific Rim issuing 400,000 common shares to the Company. In order to complete the acquisition of the 65% interest, Pacific Rim was required to issue an additional 600,000 common shares to the Company in stages to July, 2015, and incur aggregate exploration expenditures of US$8,000,000 by July, 2015. On May 3, 2013, Pacific Rim notified Corazon of their intent to terminate the Option and Joint Venture Agreement for the Hog Ranch property.

During the year ended December 31, 2013, the Company decided not to continue with the Hog Ranch and Estill property and wrote-off the balance to the statement of loss and comprehensive loss.

Trout Creek (JJ) Property, Nevada, USA

The Company had an option to acquire a 100% interest in certain mining claims located in Humboldt County, Nevada. The property was included in the ICN acquisition (Note 2). On April 14, 2013 the Company renegotiated the agreement. The new terms require that the Company pay the filing fees to BLM and the County. Every May 1, management will

9. EXPLORATION AND EVALUATION ASSETS *(cont'd…)*

meet with the optionors to review the status of the property. While the Company will continue working in the property, the schedule on payments and work expenditures has been suspended until further notice. The property is subject to a 2% NSR on gold and silver, half of which may be purchased by the Company for US$1,000,000 at any time prior to completion of the first year of commercial production.

During the year ended December 31, 2013, the Company decided not to continue with the Trout Creek Property and wrote-off the balance to the statement of loss and comprehensive loss.

Goldfield Bonanza Property, Nevada, USA

The Company had an option agreement with Lode Star Gold, Inc. ("Lode Star") to acquire an 80% interest in the Goldfield Bonanza Property located in Nevada. The property was included in the ICN acquisition (Note 2). To complete the acquisition of the property the Company was required to pay US$2,800,000.

In April 2013, the Company renegotiated the dates of cash payments under the option agreement with Lode Star. Pursuant to the amended agreement, the Company was required to issue 33,333 common shares of the Company to the optioner as consideration and to pay US$2,800,000 according to the schedule below:

- (i) US$50,000 by April 15, 2013 and 33,333 common shares (paid May 2, 2013)
- (ii) US$50,000 by October 7, 2013;
- (iii) US$300,000 by April 7, 2014;
- (iv) US$800,000 by April 7, 2015;
- (v) US$1,600,000 by April 7, 2016

The Company was also required to incur cumulative exploration expenditures of US$5,000,000 in stages by April 2015 and issue 50,000 units of the Company at the earlier of (i) April 13, 2014 and (ii) 30 days after incurring US$3,500,000 in cumulative exploration expenditures.

Each unit will consist of one common share and one full share purchase warrant, with each warrant entitling the holder to purchase one additional common share for a period of two years at an exercise price equal to 110% of the average closing market price of the Company's common shares over a five consecutive day period immediately prior to the date of issuance.

During the year ended December 31, 2013, the Company decided not to continue with the Goldfield Bonanza property and wrote-off the balance to the statement of loss and comprehensive loss.

Kings River Property, Nevada, USA

The Company had an option agreement with Seabridge Gold Inc. ("SEA") to acquire a 100% interest in the King River Project located in Humboldt County, Nevada. The property was included in the ICN acquisition (Note 2). To complete the acquisition of the property the Company was required to pay US$100,000 by November, 2012.

The Company had renegotiated the terms of the option agreement and the US$100,000 payment was postponed until November 2013. The Company granted an additional 0.5% NSR to SEA to bring the total project NSR to 2%.

During the year ended December 31, 2013, the Company decided not to continue with the Kings River property and wrote-off the balance to the statement of loss and comprehensive loss.

9. EXPLORATION AND EVALUATION ASSETS *(cont'd…)*

Silver Cliff Property, Colorado, USA

The Company had an option agreement to acquire a 100% interest in the Silver Cliff Property located in Custer County, Colorado. The property was included in the ICN acquisition (Note 2). To complete the acquisition of the property the Company was required to pay US$2,000,000 and issue 116,664 common shares.

On January 14, 2013, the Company renegotiated the terms of the option agreement. Pursuant to the amended agreement, the Company was required to pay the following:

(i) US$30,000 cash and 16,666 common shares by January 25, 2013 (paid and issued);
(ii) US$50,000 cash and 16,666 common shares by January 11, 2014;
(iii) US$100,000 cash and 16,666 common shares by January 11, 2015;
(iv) US$120,000 cash and 33,333 common shares by January 11, 2016;
(v) US$200,000 cash and 33,333 common shares by January 11, 2017;
(vi) US$250,000 cash by January 11, 2018;
(vii) US$1,250,000 cash by January 11, 2019.

The Company was also required to pay a bonus in connection with achieving certain project milestones and the Vendor was entitled to a net smelter returns royalty from the Property ranging from ½% to 2% depending on underlying status of additional property the Company acquires, if any, within a defined area of interest in the district.

During the year ended December 31, 2013, the Company decided not to continue with the Silver Cliff property and wrote-off the balance to the statement of loss and comprehensive loss.

10. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

b) Issued share capital

On October 16, 2012, the Company completed the acquisition of all of the issued and outstanding shares of ICN in exchange for the issuance of an aggregate 3,444,383 common shares of the Company on the basis of one common share for each common share of ICN. The Company issued 3,169,565 common shares in fiscal 2012 and issued the remaining 274,818 valued at $288,560 in commitment to issue shares as at December 31, 2012 in fiscal 2013 (Note 2).

c) Stock options and warrants

The Company has adopted an incentive share 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 technical consultants to the Company, non-transferable share options.

Stock options and warrants transactions are summarized as follows:

10. SHARE CAPITAL AND RESERVES *(cont'd…)*

c) Stock options and warrants *(cont'd…)*

	Options			Warrants		
	Number of Shares		Weighted Average Exercise Price	Number of Shares		Weighted Average Exercise Price
Balance, December 31, 2011	320,000	$	7.50	47,416	$	10.05
Issued	-		-	193,071		2.10
Forfeited	(5,000)		11.55	-		-
Cancelled / expired	(1,667)		53.70	(90,487)		6.30
Balance, December 31, 2012	313,333		7.61	150,000		4.07
Cancelled / expired	(313,333)		7.61	(116,667)		4.63
Balance, December 31, 2013	-	$	-	33,333	$	2.10
Balance, December 31, 2013 Exercisable	-	$	-	33,333	$	2.10

The Company did not grant any stock options for the year ended December 31, 2013.

The Company recognizes share-based payments expense for all stock options granted using the fair value base method of accounting. The fair value of the options granted during the year ended December 31, 2013 was $Nil (2012 - $Nil) and the fair value of the options vested during the year ended December 31, 2013 is $20,297 (2012 - $352,368). The weighted average fair value of options granted during the year is $Nil (2012 – $Nil).

As at December 31, 2013, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
Share Purchase Warrants	33,333	2.10	April 9, 2014 (1)

1) Expired unexercised subsequent to year-end

11. RELATED PARTY TRANSACTIONS

Key management personnel comprise of the Chief Executive Officer, Chief Financial Officer, and Directors of the Company. The remuneration of the key management personnel is as follows:

- Paid or accrued salaries, wages, and consulting of $328,401 (2012 - $268,313).
- Stock options issued or vested with a fair value of $13,976 (2012 - $323,329).
- Paid or accrued Director fees of $Nil (2012 - $44,000)

The amount of $98,179 (2012 - $17,890) is due to related parties. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

12. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes is as follows:

	2013	2012
Loss before income taxes	$ (6,867,767)	$ (3,711,594)
Expected income tax (recovery) at statutory tax rates	$ (1,768,000)	$ (928,000)
Change in statutory, foreign tax, foreign exchange and other	(1,272,000)	(53,000)
Permanent differences	195,000	80,000
Impact of acquisition of ICN	-	(2,475,000)
Change in unrecognized deductible temporary differences	2,845,000	3,376,000
Income tax recovery	$ -	$ -

The Company has the following temporary differences and tax losses for which no deferred tax asset has been recognized:

Temporary differences	2013	Expire Date	2012
Exploration and evaluation asset	$ 11,130,000	N/A	$ 5,010,000
Property and equipment	108,000	N/A	374,000
Share issue costs	369,000	2034 - 2037	613,000
Marketable securities	-	N/A	24,000
Non-capital losses available for future period	15,081,000	2014 – 2033	17,699,000
Canada	7,440,000		10,000,000
USA	840,000		620,000
Nicaragua	6,801,000		7,707,000

13. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

The fair value of the Company's receivables, accounts payable and accrued liabilities approximate their carrying value, which is the amount recorded on the consolidated statement of financial position. Cash and cash equivalents, and marketable securities, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd…)*

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This includes $27,500 receivable from a third party buyer for the sale of property and equipment during the year. Management believes that the credit risk concentration with respect to receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding (see Note 1).

All of the contractual maturities of the Company's non-derivative financial liabilities are within one year of the financial statement end date.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) 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 risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and accounts payable and accrued liabilities that are denominated in US Dollars (USD).

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd…)*

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral exploration concessions, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity (deficit).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

14. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

15. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year period ended December 31, 2013, the Company:

a) Issued 50,000 common shares with a fair value of $22,500 for exploration and evaluation asset acquisition costs (Note 9);

b) Accrued $27,500 on the sale of property and equipment;

c) Issued 392,571 common shares valued at $288,560 from commitment to issue shares;

d) Reallocated $24,001 from accumulated other comprehensive income / loss to realized loss on disposal of marketable securities.

During the year ended December 31, 2012, the Company:

a) capitalized $104,352 of share-based payments to exploration and evaluation assets;

b) Included in exploration and evaluation assets is $236,459 included in accounts payable and accrued liabilities;

c) Included in accumulated other comprehensive income is $12,000 in unrealized losses on marketable securities;

d) Issued 2,896,061 warrants with a fair value of $28,150 for exploration and evaluation asset acquisition;

e) Issued 3,169,565 common shares and committed to issue additional 274,818 common shares with a total fair value of $3,616,602 for exploration and evaluation asset acquisition.