CHLORMET TECHNOLOGIES, INC.

(formerly Newton Gold Corp.)

Financial Statements

For the Year Ended December 31, 2013

(Expressed in Canadian Dollars)

CHLORMET TECHNOLOGIES, INC.
(formerly Newton Gold Corp.)

Financial Statements
(Expressed in Canadian Dollars)

WOLRIGE MAHON
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chlormet Technologies, Inc. (formerly Newton Gold Corp.)

We have audited the accompanying financial statements of Chlormet Technologies, Inc. which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive loss, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chlormet Technologies, Inc. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Chlormet Technologies, Inc. to continue as a going concern.

Other Matter

The financial statements of Chlormet Technologies, Inc. for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 8, 2013

"Wolrige Mahon LLP"

CHARTERED ACCOUNTANTS

April 24, 2014
Vancouver, B.C.

CHLORMET TECHNOLOGIES, INC.
(formerly Newton Gold Corp.)

Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31 2013	December 31 2012
Assets		
Current		
Cash	$ 5,372	$ 76,807
Amounts receivable	4,260	4,467
Prepaid expenses	966	4,997
	10,598	86,271
Non-current		
Exploration and evaluation assets (note 4)	252,848	1,833,334
	$ 263,446	$ 1,919,605
Liabilities		
Current		
Accounts payable and accrued liabilities (note 7)	$ 176,360	$ 95,507
Due to related parties (note 7)	293,713	101,300
Loans payable (note 5)	41,462	-
	511,535	196,807
Shareholders' Equity		
Share capital (note 6)	11,173,347	11,173,347
Share subscriptions receivable	-	(9,000)
Reserves	103,625	498,549
Accumulated deficit	(11,525,061)	(9,940,098)
	(248,089)	1,722,798
	$ 263,446	$ 1,919,605

Nature and continuance of operations (note 1)
Commitments (note 4)
Contingent liability (note 8)
Subsequent events (note 12)

These financial statements were authorized for issue by the Board of Directors on April 24, 2014. They are signed on the Company's behalf by:

"Yari Nieken" ______________________ Director

"Ian Foreman" ______________________ Director

CHLORMET TECHNOLOGIES, INC.
(formerly Newton Gold Corp.)

Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended December 31 2013	December 31 2012
Administrative expenses		
Accounting and auditing (note 7)	$ 38,356	$ 40,966
Administration fees (note 7)	1,869	-
Consulting and management (note 7)	210,250	206,405
Director fees (note 7)	2,933	6,000
Insurance	1,725	10,469
Investor communications	3,968	2,297
Legal	47,802	39,895
Office and sundry (note 7)	19,739	38,530
Regulatory and transfer agent fees	22,241	21,323
Share-based compensation (notes 6(d) and 7)	7,625	44,651
Travel and business development	6,293	17,946
Loss before other items	362,801	428,482
Other (income) expenses		
Other income	-	(104,931)
Write-off of exploration and evaluation assets (note 4(b)(c))	1,624,711	-
	1,624,711	(104,931)
Net and comprehensive loss for the year	$ 1,987,512	$ 323,551
Basic and diluted loss per share	$ 0.26	$ 0.05
Weighted average number of shares outstanding	7,602,574	5,923,768

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

CHLORMET TECHNOLOGIES, INC.
(formerly Newton Gold Corp.)

Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscriptions Receivable	Reserves: Share-Based Payment Reserve	Reserves: Warrant Reserve	Reserves: Total	Deficit	Total Equity
Balance at December 31, 2012	7,602,574	$ 11,173,347	$ (9,000)	$ 305,848	$ 192,701	$ 498,549	$ (9,940,098)	$ 1,722,798
Share subscription received	-	-	9,000	-	-	-	-	9,000
Fair value of agent options expired	-	-	-	(25,600)	-	(25,600)	25,600	-
Fair value of stock options cancelled/expired	-	-	-	(184,248)	-	(184,248)	184,248	-
Fair value of agent warrants expired	-	-	-	-	(192,701)	(192,701)	192,701	-
Share-based compensation	-	-	-	7,625	-	7,625	-	7,625
Loss for the year	-	-	-	-	-	-	(1,987,512)	(1,987,512)
Balance at December 31, 2013	**7,602,574**	**$ 11,173,347**	**$ -**	**$ 103,625**	**$ -**	**$ 103,625**	**$ (11,525,061)**	**$ (248,089)**
Balance at December 31, 2011	5,540,574	$ 10,750,362	$ -	$ 339,856	$ 187,091	$ 526,947	$ (9,695,206)	$ 1,582,103
Private placement	2,062,000	441,600	(9,000)	-	-	-	-	432,600
Share issuance costs - cash	-	(13,005)	-	-	-	-	-	(13,005)
Share issuance costs - agent warrants	-	(5,610)	-	-	5,610	5,610	-	-
Fair value of options cancelled	-	-	-	(78,659)	-	(78,659)	78,659	-
Share-based compensation	-	-	-	44,651	-	44,651	-	44,651
Loss for the year	-	-	-	-	-	-	(323,551)	(323,551)
Balance at December 31, 2012	7,602,574	$ 11,173,347	$ (9,000)	$ 305,848	$ 192,701	$ 498,549	$ (9,940,098)	$ 1,722,798

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

CHLORMET TECHNOLOGIES, INC.
(formerly Newton Gold Corp.)

Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended December 31 2013	December 31 2012
Cash provided by (used for)		
Operating activities		
Net loss for the year	**$ (1,987,512)**	$ (323,551)
Add items not affecting cash		
Accrued interest	**1,813**	-
Other income	**-**	(104,928)
Share-based compensation	**7,625**	44,651
Write-off of exploration and evaluation assets	**1,624,711**	-
	(353,363)	(383,828)
Net change in non-cash working capital	**44,740**	(70,600)
	(308,623)	(454,428)
Financing activities		
Due to related parties	**212,413**	81,300
Issuance of common shares, net of share issuance costs	**-**	419,595
Loan payable	**20,000**	-
Share subscription received	**9,000**	-
	241,413	500,895
Investing activity		
Expenditures on exploration and evaluation assets	**(4,225)**	(27,940)
	(4,225)	(27,940)
Net increase (decrease) in cash	**(71,435)**	18,527
Cash, beginning of year	**76,807**	58,280
Cash, end of year	**$ 5,372**	$ 76,807

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Chlormet Technologies, Inc. (formerly Newton Gold Corp.) ("Chlormet" or the "Company") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange ("TSX-V"). On February 9, 2011, the name of the Company was changed from New High Ridge Resources Inc. to Newton Gold Corp. and on November 7, 2013 to Chlormet Technologies, Inc.

Effective November 7, 2013, when the Company's name was changed from Newton Gold Corp. to Chlormet Technologies, Inc., the Company's issued and outstanding shares were consolidated on a five (5) old for one (1) new basis. The Company's new trading symbol is CMT. All share capital figures reflect the share consolidation.

The Company is an exploration stage company with respect to its exploration and evaluation assets. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production or disposition thereof.

The Company has a working deficit of $500,937 as at December 31, 2013, incurred a net loss of $1,987,512 during the year ended December 31, 2013 and had an accumulated deficit of $11,525,061 as at December 31, 2013.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 11(b).

The Company does not generate cash flow from operations to fund its exploration activities, and has therefore relied upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The Company's corporate office is located at Suite 350, 409 Granville Street, Vancouver, British Columbia V6C 1T2.

2. BASIS OF PREPARATION

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian dollar.

c) Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

i) Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

(a) Impairment of exploration and evaluation assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. For the year ended December 31, 2013, the Company wrote off $1,624,711 (December 31, 2012 – $Nil) of exploration and evaluation assets.

(b) Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's statement of comprehensive loss. For the year ended December 31, 2013, the Company recognized $7,625 (December 31, 2012 - $44,651) as share-based compensation expense.

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates (continued)

ii) Critical judgments used in applying accounting policies

In the preparation of these financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

(a) Exploration and evaluation assets

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at December 31, 2012 and December 31, 2013, management had determined that no reclassification of exploration and evaluation assets was required.

(b) Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

i) Financial assets

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

(a) Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss. The Company has not classified any financial assets as fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(b) 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 amortized 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. Cash is classified as loans and receivables.

(c) 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 rate 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 profit or loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in profit or loss. The Company has not classified any financial assets as available-for-sale.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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.

ii) 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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities (continued)

(a) Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing 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 comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

(b) Other financial liabilities

This category includes accounts payable and accrued liabilities, amounts due to related parties, and loans payable which are recognized at amortized cost.

b) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash and subject to insignificant interest or credit risk.

c) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties; accordingly, it follows the practice of capitalizing all costs, once it has the legal right to explore, relating to the acquisition of, exploration for, and development of mineral claims, and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to geological, geophysical studies, exploratory drilling, and sampling.

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 area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

The aggregate costs related to abandoned mineral claims are charged to net income (loss) at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed if new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and evaluation assets (continued)

The Company recognizes net income (loss) costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount and the Company recognizes this as a gain on sale of mineral rights.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they will be charged to profit or loss.

d) Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's 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 or cash generating unit 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 profit or loss for the period.

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, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency gains and losses are reported on a net basis and included in profit or loss.

f) Joint venture accounting

Certain of the Company's exploration and evaluation asset activities are conducted with others; accordingly, the accounts reflect only the Company's proportionate interest in such activities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Share capital

i) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

ii) Equity units

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated on the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the reserve for warrants.

iii) Flow-through shares

The Company will from time to time issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax benefit of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) share capital, equal to the market value of the shares; ii) a flow-through share premium liability, equal to the estimated premium, if any, investors pay for the flow-through feature; and iii) reserve for warrants, equal to the remaining proceeds received.

When qualifying expenses are incurred, the Company recognizes a deferred tax liability and deferred tax expense for the value of the tax benefit renounced to the shareholders. The Company also derecognizes the liability on the flow-through share premium, as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Income Tax Act). The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as unspent commitment/other liability (liability on flow-through share premium).

h) Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share-based payment transactions (continued)

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

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

i) Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from equity reserve to accumulated deficit.

j) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and 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 nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures 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 end of the reporting period applicable to the period of expected realization or settlement.

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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

l) Loss per share

The Company presents basic and diluted 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 determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

m) Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of exploration and evaluation assets.

n) New accounting standards adopted during the year

The following accounting pronouncements were adopted by the Company during the year:

i) IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements* (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces *Standing Interpretations Committee 12 Consolidation – Special Purpose Entities* (SIC 12) and IAS 27 *Consolidated and Separate Financial Statements* (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights.

Management has determined that the adoption of IFRS 10 has no impact on the Company's financial statements as it does not have any subsidiaries at this time.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) New accounting standards adopted during the year (continued)

ii) IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11 *Joint Arrangements* (IFRS 11), in addition to IFRS 10 and IFRS 12. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

Management has determined that the adoption of IFRS 11 has no impact on the Company's financial statements as it does not have any joint arrangements at this time.

iii) IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements.

Management has determined that the adoption of IFRS 12 has no impact on the Company's financial statements as it does not have any subsidiaries or joint arrangements at this time.

iv) Other

In January 2013, the IASB issued amendments to IAS 27 *Separate Financial Statements*, which aligns the new consolidation guidance prescribed in IFRS 10, *Consolidated Financial Statements*, as it applies to investments in subsidiaries, joint ventures, and associates when an entity either elects or is required by local regulations to prepare separate financial statements in accordance with IFRS.

In January 2013, the IASB issued amendments to IAS *28 Investments in Associates and Joint Ventures*, which was amended as a consequence of the issue of IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; and IFRS 12, *Disclosure of Interests in Other Entities*. IAS 28 provides the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Management has determined that the adoption of IFRS 27 and 28 have no impact on the Company's financial statements as it does not have any subsidiaries, joint ventures, associates, or joint arrangements at this time.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

i) IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is tentatively effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

The Company had accumulated the following acquisition and exploration expenditures:

	Chuchi	Newton Hill	Sibley Road	Total
Balance at December 31, 2011	$ 61,261	$ 5,000	$ -	$ 66,261
Acquisition costs	-	-	40,000	40,000
Balance at December 31, 2012	61,261	5,000	40,000	106,261
Write-off of exploration and evaluation assets	-	-	(40,000)	(40,000)
Balance at December 31, 2013	**$ 61,261**	**$ 5,000**	**$ -**	**$ 66,261**

Balance at December 31, 2011	$ 166,996	$ 1,351,843	$ -	$ 1,518,839
Assessment, property, and permit fees	6,543	15	-	6,558
Boarding, lodging, and travel	-	2,101	-	2,101
Drilling	-	110,838	-	110,838
Environmental	-	1,707	-	1,707
Office and administration	82	2,517	-	2,599
Samples, analysis, and review	492	27,983	-	28,475
Site services and supplies	(28,350)	49,004	-	20,654
Socio-economic/native liason	-	903	-	903
Staking	824	-	-	824
Wages, geological and site	-	33,575	-	33,575
Balance at December 31, 2012	146,587	1,580,486	-	1,727,073
Advanced royalty payments	40,000	-	-	40,000
Consulting	-	-	4,225	4,225
Write-off of exploration and evaluation assets	-	(1,580,486)	(4,225)	(1,584,711)
Balance at December 31, 2013	**$ 186,587**	**$ -**	**$ -**	**$ 186,587**

At December 31, 2013	**$ 247,848**	**$ 5,000**	**$ -**	**$ 252,848**
At December 31, 2012	$ 207,848	$ 1,585,486	$ 40,000	$ 1,833,334

a) Chuchi Property, British Columbia

The Company owns a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia, referred to as the Chuchi Property.

In December 2008 the Company wrote down the recorded cost of the property to $Nil. As at December 31, 2013, mineral property interests represent accumulated costs incurred on the property since January 1, 2009.

4. EXPLORATION AND EVALUATION ASSETS (continued)

a) Chuchi Property, British Columbia (continued)

Subsequent the year end (note 12), the Company announced that it received the decision in the arbitration hearings between the Company and the vendors of the Chuchi property, located in northern British Columbia. Pursuant to the decision, the vendors of the property own a 3% NSR on only the five core claims to the property, which cover only 1,695.94 hectares of the total 5,365.24 hectares that constitute the Chuchi property. In addition, the Company must pay the vendors a total of $40,351 (representing the 2012 and 2013 advance royalty payments plus prejudgment interest), and the Company is also required to continue to pay to the vendors an advance royalty payment in the amount of $20,000 per year on or before October 25 in each subsequent year that the Company holds any interest in the five core mineral claims. See note 12 for more details.

b) Newton Property, British Columbia

On August 12, 2009, the Company entered into an agreement with Amarc Resources Ltd. ("Amarc") by which Amarc was granted an option to acquire an 80% interest in the Newton property. Under the terms of the agreement, Amarc paid $60,000 to the underlying Newton property owners and agreed to expend a total of $4,940,000 on the property in exploration expenditures over seven years.

Amarc earned an 80% interest in the Newton property and outlying area of interest under the option agreement by funding $5,000,000 in exploration activities. On May 16, 2011 the Company and Amarc entered into a Joint Venture Agreement to further explore the Newton property.

The Company held a 20% participating interest in certain mineral claims located in the Clinton Mining Division of British Columbia, referred to as the Newton Property. Certain claims within the property were subject to a 2% NSR. The NSR could have been purchased at any time by the Company for $2,000,000. Under the agreement with Amarc Resources Ltd. ("Amarc") outlined below, Amarc could cause the Company to exercise its option to purchase the NSR and the Company would be required to pay its proportionate share of the purchase price, namely $400,000 to retain its 20% residual interest in the royalty. If the Company's interest in the Joint Venture is reduced to 10%, or less, then the Company's interest will be converted to a 5% net profit interest.

Effective May 22, 2012, the Company exercised its right to convert its 20% participating interest to a 5% net profit interest in the Newton Joint Venture. As such, the Company has no ongoing financial obligations regarding this property.

As at December 31, 2013, the Company had advanced $1,585,486 (December 31, 2012 – $1,585,486) to Amarc Resources Ltd., of which $1,580,486 (December 31, 2012 - $1,580,486) was utilized for exploration expenditures and was written down during the current year (December 31, 2012 - $Nil).

As at December 31, 2013, acquisition costs of $5,000 remain capitalized as exploration and evaluation assets.

4. EXPLORATION AND EVALUATION ASSETS (continued)

c) Sibley Road Property, Nova Scotia

On October 11, 2012, the Company signed the Letter of Intent to acquire an option to purchase up to a 100% interest in the Sibley Road property located in Halifax County, Nova Scotia.

The Company agreed to a two stage option. To exercise the First Option and earn a 50% interest in the property, Chlormet would pay the vendor $150,000 and incur a total of $12,000,000 in expenditures within four years as follows:

- pay $40,000 (paid) on signing of the Letter of Intent;
- pay $110,000 within 24 hours of receiving the conditional acceptance of the agreement by the TSX Venture Exchange;
- incur $2,000,000 in expenditures by the first anniversary date of the agreement for Phase I exploration work;
- incur a further $3,000,000 in expenditures by the second anniversary date of the agreement for Phase II exploration work;
- incur a further $3,000,000 in expenditures by the third anniversary date of the agreement for Phase III exploration work; and
- incur a further $4,000,000 in expenditures by the fourth anniversary date of the agreement for Phase IV exploration work.

After exercising the First Option, the Company would have 90 days to deliver notice of its intention to exercise the Second Option. In order to exercise the Second Option and earn an undivided 100% interest in the property, the Company would, within two business days of delivering the Second Option Notice, issue common shares to the Optionor with a value of $12,000,000 at a price per common share equal to the volume weighted average closing price over the 20 trading days preceding the delivery of the Second Option Notice.

On August 26, 2013, the Company announced that it had dropped the option for the Sibley Road property. During the year ended December 31, 2013, the Company has written off the accumulated costs for this property of $44,225 (December 31, 2012 - $Nil).

d) Pugu Hills Property, Tanzania

On June 6, 2013, the Company signed the Letter of Intent to acquire an option to purchase up to 100% of the Pugu Hills property located in Tanzania.

Under the Letter of Intent, the Company had the right to acquire a 100% undivided interest in the property in two stages with Stage 1 to earn an initial 65% interest and Stage 2 to earn the remaining 35%. To exercise Stage 1 of the Option and earn a 65% interest in the property, Chlormet was required to pay the vendor $250,000 and issue 3.5 million shares over an eighteen month period. To exercise Stage 2 of the Option to acquire the remaining 35% interest in the property Chlormet was required to pay the vendor an additional $125,000 within 90 days of the successful demonstration that the carbo-chlorination pilot plant successfully produces 99.9% pure aluminum chloride and issue an additional 3.5 million shares.

Upon the completion of 100% of the option for a 100% undivided interest in the property, there was a 3% NSR on the property that would not have a buyout or fixed price. The option agreement was subject to Exchange approval.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

d) Pugu Hills Property, Tanzania (continued)

As at December 31, 2013, the Company had advanced $Nil towards this acquisition, and subsequent to the year end (note 12) announced it would not be finalizing the agreement.

5. LOANS PAYABLE

At December 31, 2013 there is a loan payable to a company with common directors in the principal amount of $20,000 (December 31, 2012 - $Nil). The loan is due upon demand and was interest free until January 15, 2013. The loan now bears interest at prime + 1%. Accrued interest of $969 (December 31, 2012 - $Nil) is included in the amount outstanding. The loan was paid in full subsequent to the year end (note 12).

At December 31, 2013 there is a loan payable in the principal amount of $20,000 (December 31, 2012 - $Nil). The loan is due upon demand with interest at 12% per annum plus the maximum loan re-payment bonus to be paid pursuant to TSX Venture Exchange guidelines. Accrued interest of $493 (December 31, 2012 - $Nil) is included in the amount outstanding. The loan was partially repaid subsequent to the year end (note 12).

6. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number	Issue Price	Amount
Balance at December 31, 2011	5,540,574	$ -	$ 10,750,362
Private placement - non-flow-through shares	2,062,000	0.21	441,600
Share issuance costs - cash	-	-	(13,005)
Share issuance costs - agent warrants	-	-	(5,610)
Balance at December 31, 2012 and December 31, 2013	**7,602,574**	**$ -**	**$ 11,173,347**

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

a) Common shares (continued)

On February 17, 2012, the Company issued 252,000 units at $0.675 per unit for gross proceeds of $170,100. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until February 17, 2014 at $0.30 per share for the first year and at $0.40 per share for the second year. The full issue price was allocated to common shares.

On November 28, 2012, the Company issued 1,810,000 units at $0.15 per unit for gross proceeds of $271,500. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until November 28, 2013 at $0.25 per share. The Company paid $13,005 and issued 84,700 agent warrants (Note 6c) as finders' fees in connection with the sale of these units. The full issue price was allocated to common shares.

b) Warrants outstanding

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2011	2,416,720	$ 1.50
Warrants issued	2,062,000	0.20
Balance at December 31, 2012	4,478,720	1.25
Warrants expired	(3,226,720)	1.17
Balance at December 31, 2013	**1,252,000**	**$ 1.60**

Expiry Date	Remaining Life (Years)	Number of Warrants	Exercise Price
February 17, 2014 (1)	0.13	252,000	$ 2.00
January 28, 2015 (2)	1.08	1,000,000	1.50
		1,252,000	**$ 1.60**

(1) Expired subsequent to year end.

(2) On December 14, 2012 the TSX Venture Exchanged consented to the extension date of 1,000,000 warrants that originally expire on January 28, 2013 to January 28, 2015.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

c) Agent warrants outstanding

	Number of Agent Warrants		Weighted Average Exercise Price
Balance at December 31, 2011	51,370	$	1.70
Agent warrants issued	84,700		0.25
Balance at December 31, 2012	136,070		0.80
Agent warrants expired	(136,070)		0.80
Balance at December 31, 2013	**-**	**$**	**-**

On November 28, 2012, 84,700 agent warrants were granted to acquire 84,700 common shares of the Company at an exercise price of $0.25 per share for one year. These agent warrants have a fair value, calculated using the Black-Scholes option pricing model, of $5,610 or $0.05 per option, assuming an expected life of one year, a risk-free interest rate of 1.09%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 153%.

d) Stock options outstanding

On September 5, 2013, the Company's 2013 Share Option Plan was approved. Under this plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 10% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

	Number of Options		Weighted Average Exercise Price
Balance at December 31, 2011	350,000	$	1.000
Options granted	160,000		0.500
Options expired/cancelled	(180,000)		0.650
Balance at December 31, 2012	330,000		0.900
Options granted	130,000		0.500
Options cancelled	(170,000)		0.970
Balance at December 31, 2013	**290,000**	**$**	**0.710**

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

d) Stock options outstanding (continued)

Grant Date	Expiry Date	Number of Options Outstanding and Exercisable		Exercise Price
January 4, 2011	January 4, 2016	160,000	$	0.875
January 8, 2013	January 8, 2014 (1)	50,000		0.500
January 16, 2013	January 16, 2016 (1	80,000		0.500
		290,000	**$**	**0.710**

(1) Expired/cancelled subsequent to year end.

On March 22, 2012, 140,000 stock options were granted to consultants of the Company to acquire 140,000 shares of the Company at an exercise price of $0.50 per share for a period of one year. These options have a fair value, calculated using the Black-Scholes option pricing model, of $38,315 or $0.25 per option, assuming an expected life of one year, a risk-free interest rate of 1.24%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 105.00%.

On March 22, 2012, 20,000 stock options were granted to consultants of the Company to acquire 20,000 shares of the Company at an exercise price of $0.50 per share for a period of five years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $6,335 or $0.30 per option, assuming an expected life of five years, a risk-free interest rate of 1.67%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 121%.

On January 8, 2013, 50,000 stock options were granted to a director of the Company to acquire 50,000 shares of the Company at an exercise price of $0.50 per share for a period of one year. These options have a fair value, calculated using the Black-Scholes option pricing model, of $1,244 or $0.025 per option, assuming an expected life of one year, a risk-free interest rate of 1.17%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 161%.

On January 16, 2013, 80,000 stock options were granted to the President of the Company to acquire 80,000 shares of the Company at an exercise price of $0.50 per share for a period of three years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $6,381 or $0.08 per option, assuming an expected life of three years, a risk-free interest rate of 1.24%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 124%.

e) Agent options outstanding

	Number of Agent Options		Weighted Average Exercise Price
Balance at December 31, 2011 and 2012	51,200	$	1.25
Agent options expired	(51,200)		1.25
Balance at December 31, 2013	**-**	**$**	**-**

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the year ended December 31, 2013 and 2012:

	Accounting	Administration Fees	Consulting	Director Fees	Rent	Share-Based Compensation	December 31, 2013 Total
Foremost Geological Consulting	$ -	$ -	$ 60,000	$ -	$ -	$ -	$ 60,000
Foremost Management Services Inc.	-	1,869	-	-	2,857	-	4,726
Graphene Corp.	-	-	30,000	-	-	-	30,000
Ian Flint	-	-	20,750	-	-	6,381	27,131
McLeary Capital Management, Inc.	-	-	78,000	-	-	-	78,000
T. St. Denis, Inc.	25,170	-	-	-	-	-	25,170
Timeline Filing Services Ltd.	-	-	4,500	-	-	-	4,500
Yari Nieken	-	-	17,000	2,933	-	1,244	21,177
	$ 25,170	$ 1,869	$ 210,250	$ 2,933	$ 2,857	$ 7,625	$ 250,704

	Accounting	Administration Fees	Consulting	Director Fees	Rent	Share-Based Compensation	December 31, 2012 Total
Fehr and Associates	$ 14,289	$ -	$ -	$ -	$ -	$ -	$ 14,289
Foremost Geological Consulting	-	-	42,000	-	-	-	42,000
Laara Shaffer	-	-	835	-	-	3,168	4,003
Lindsay Bottomer	-	-	1,250	6,000	-	-	7,250
McLeary Capital Management, Inc.	-	-	78,000	-	-	-	78,000
T.St. Denis, Inc.	15,240	-	-	-	-	-	15,240
Timeline Filing Services Ltd.	-	-	12,000	-	-	-	12,000
	$ 29,529	$ -	$ 134,085	$ 6,000	$ -	$ 3,168	$ 172,782

On January 28, 2011 the Company entered into an indefinite term contract with Foremost Geological Consulting (the "consultant"), for the consultant to continue to act as primary technical consultant and a director of the Company. Effective January 1, 2013, a monthly consulting fee of $5,000 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease. At December 31, 2013, $87,570 (December 31, 2012 - $23,520) due to Foremost Geological Consulting was included in the amount due to related parties. Subsequent to the year end (note 12), this agreement was terminated and the termination clause was waived.

7. RELATED PARTY TRANSACTIONS (continued)

Effective January 1, 2013, the Company entered into an agreement with Foremost Management Services Inc., a company owned jointly by two directors of the Company, Mark McLeary and Ian Foreman. The agreement provides for Foremost Management Services Inc. to earn an administration fee calculated as 10% of all incurred monthly expenses in exchange for managing the affairs of the Company. Effective October 1, 2013, the agreement was amended to include a sublease agreement for $500 per month representing rent for one office. On March 1, 2014, the Company amended the sublease agreement to $1,000 per month, inclusive of the goods and services tax, effective October 1, 2013. At December 31, 2013, $4,436 (December 31, 2012 - $1,478) due to Foremost Management Services Inc. was included in the amount due to related parties.

Graphene Corp. is a private company owned by the President, Dr. Ian Flint, through which Dr. Flint provides consulting services to the Company. At December 31, 2013, $30,000 (December 31, 2012 - $Nil) due to Graphene Corp. was included in the amount due to related parties.

Dr. Ian Flint is the President of the Company and provides consulting services to the Company. Dr. Flint was granted 80,000 stock options on January 16, 2013 with an exercise price of $0.50, an expiry date of January 16, 2016, and a fair value of $6,381.

At December 31, 2013, $4,557 (December 31, 2012 - $122) due to Mark McLeary for reimbursement of expenses was included in the amount due to related parties.

On January 28, 2011 the Company entered into an indefinite term contract with McLeary Capital Management, Inc. (the “consultant”). The consultant acts as the Chief Executive Officer and a director of the Company. A monthly consulting fee of $6,500 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant’s options, the relationship between the consultant and the Company will cease. At December 31, 2013, $126,945 (December 31, 2012 - $43,680) due to McLeary Capital Management Inc. was included in the amount due to related parties. Subsequent to the year end (note 12), this agreement was terminated and the termination clause was waived.

T. St. Denis, Inc. is a private accounting firm owned by the current Chief Financial Officer, Tracey A. St. Denis. T. St. Denis, Inc. provides accounting services to the Company. At December 31, 2013, $20,459 (December 31, 2012 - $Nil) due to T. St. Denis, Inc. was included in the amount due to related parties and $6,000 was included in accounts payable and accrued liabilities.

Timeline Filing Services Ltd. is a private company owned by the Corporate Secretary, Laara Shaffer. At December 31, 2013, $2,625 (December 31, 2012 - $Nil) due to Timeline Filing Services Ltd. was included in the amount due to related parties.

Yari Nieken is a director of the Company. At December 31, 2013, $721 (December 31, 2012 - $Nil) due to Mr. Nieken was included in the amount due to related parties. Mr. Nieken was granted 50,000 stock options on January 8, 2013 with an exercise price of $0.50, an expiry date of January 8, 2014, and a fair value of $1,244.

Fehr and Associates is a private accounting firm owned by the former Chief Financial Officer, Ann Fehr. Fehr and Associates provided accounting services to the Company. At December 31, 2013 and 2012, no amount was owing to Fehr and Associates.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (continued)

Golden Sun Mining Corp. is a public company with common directors. At December 31, 2012, there was a loan payable to the company in the amount of $20,969 (December 31, 2012 - $Nil) (note 5) and $15,287 (December 31, 2012 - $32,500) included in the amount due to related parties.

Ian Foreman is a director of the Company. At December 31, 2013, $1,113 (December 31, 2012 - $Nil) was due to Mr. Foreman and included in the amount due to related parties.

Lindsay Bottomer is a former director of the Company and received director fees. At December 31, 2013, $6,160 (December 31, 2012 - $6,160) due to Mr. Bottomer was included in accounts payable and accrued liabilities.

8. CONTINGENT LIABILITY

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt of US$209,403 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order. The Company retained Peruvian legal counsel who advised that the Company is not responsible for this obligation. The most recent contact from Peru indicates that the order has been dropped but the Company has not received formal notice of such release. No amounts have been recorded in the Company’s books and records regarding this issue.

9. INCOME TAXES

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

		December 31 2013		December 31 2012
Loss before income taxes	**$**	**(1,987,512)**	$	(323,551)
Statutory Canadian corporate tax rate		**25.50%**		25.00%
Income tax recovery at statutory rates	**$**	**(506,816)**	$	(80,888)
Items not recognized for tax purposes		**(7,540)**		(14,134)
Tax benefits not recognized		**514,356**		95,022
	$	**-**	$	-

(Expressed in Canadian Dollars)

9. INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets are as follows:

	December 31 2013	December 31 2012
Deferred income tax assets		
Exploration and evaluation assets	**$ 711,106**	$ 277,578
Share issuance costs	**19,934**	32,060
Net capital losses available	**386,574**	371,706
Non-capital losses available for future years	**1,466,103**	1,308,174
	2,583,717	1,989,518
Tax benefits not recognized	**(2,583,717)**	(1,989,518)
	$ -	$ -

At December 31, 2013 the Company has non-capital tax losses of approximately $5,638,000 available for carry-forward to reduce future years' income taxes, expiring as follows:

Expiry Date	**Amount**
2014	$ 22,000
2015	87,000
2026	526,000
2027	1,165,000
2028	1,296,000
2029	500,000
2030	564,000
2031	584,000
2032	489,000
2033	405,000
	$ 5,638,000

The Company also has capital losses of approximately $2,974,000 available to reduce future years' income taxes.

(Expressed in Canadian Dollars)

9. INCOME TAXES (continued)

Tax attributes are subject to review and potential adjustment by tax authorities.

Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts.

The Company may from time to time issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax benefit of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) share capital, equal to the market value of the shares; ii) a flow-through share premium liability, equal to the estimated premium, if any, investors pay for the flow-through feature; and iii) reserve for warrants, equal to the remaining proceeds received.

When qualifying expenses are incurred, the Company recognizes a deferred tax liability and deferred tax expense for the value of the tax benefit renounced to the shareholders. The Company also derecognizes the liability on the flow-through share premium, as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Income Tax Act). The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as unspent commitment/other liability (liability on flow-through share premium).

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

10. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during the years ended December 31, 2013 and 2012 were as follows:

	December 31 2013	December 31 2012
Fair value of agent options expired	**$ 25,600**	$ -
Fair value of agent warrants issued for share costs	**$ -**	$ 5,610
Fair value of stock options cancelled/expired	**$ 184,248**	$ 78,659
Fair value of agent warrants expired	**$ 192,701**	$ -
Exploration and evaluation assets remaining in accounts payable and accrued liabilities	**$ 40,000**	$ -
Loan amount reclassified from due to related parties to loans payable	**$ 20,000**	$ -
Income taxes paid	**$ -**	$ -
Interest paid	**$ 1,233**	$ -
Interest received	**$ -**	$ -
Shares issued for share subscription receivable	**$ -**	$ 9,000

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, accounts payable and accrued liabilities, amounts due to related parties, and loans payable approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Financial risk management

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

i) 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. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are not subject to material financial risks.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at December 31, 2013 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity (note 12) or debt financing, entering into joint venture agreements, or a combination thereof.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

iii) 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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management (continued)

iii) Market risk (continued)

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. At December 31, 2013, the Company has interest bearing loans payable which were repaid subsequent to the year end. The Company is not exposed to interest rate price risk as it does not have any cash and cash equivalents at December 31, 2013 which bear interest.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk to the extent that all monetary assets and liabilities are denominated in Canadian currency and all operations are in Canada to date.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

12. SUBSEQUENT EVENTS

On January 20, 2014, the Company announced that it decided not to proceed with the Letter of Intent to acquire a 100% undivided interest in the Pugu Hills kaolin clay property in Tanzania (note 4).

12. SUBSEQUENT EVENTS (continued)

On January 20, 2014, commensurate with the decision not to proceed with the Pugu Hills, Tanzania property (note 4), the Company announced that Paul Lemmon, P.Geo will not be acting as the Company's Vice President, Exploration and will hold no position with the Company at this time.

On March 1, 2014, the Company amended the Sub-Lease Agreement originally dated October 1, 2013. On October 1, 2013, the Company moved office space and entered into a Sub-Lease Agreement with Foremost Management Services Inc., a private company owned jointly by two directors of the Company, Mark McLeary and Ian Foreman. The agreement provides for Foremost Management Services Inc. to provide one office for $500 per month, inclusive of the goods and services tax. On March 1, 2014, the Company amended the sublease agreement to $1,000 per month, inclusive of the goods and services tax, effective October 1, 2013.

On March 1, 2014, the agreements with Foremost Geological Consulting and McLeary Capital Management, Inc. were terminated and the termination clauses waived.

On March 1, 2014, the Company entered into a Management Consulting Services Agreement with Foremost Management Services Ltd., a private company owned jointly by two directors of the Company, Mark McLeary and Ian Foreman. The agreement provides for Foremost Management Services Inc. to provide management consulting services to the Company for a one year period and then on a month to month basis thereafter. The contract may be cancelled by either party after the first year on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to one year's annual fees. In the event the management consultant breaches the terms of the agreement, no notice is required by the Company. Upon termination of the contract, the management consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until such time as the management consultant no longer holds unexercised stock options in the Company. The options will not be cancelled or have an expiry date upon termination. On exercise of the management consultant's options, the relationship between the consultant and the Company will cease. A monthly consulting fee of $7,500 is payable along with the issuance of 500,000 stock options in the Company. These options were subsequently granted on March 12, 2014 at an exercise price of $0.16 per share, with an expiry date of March 11, 2019. The options vest immediately.

On March 3, 2014, the Company granted 1,300,000 stock options to certain directors, officers, and consultants of the Company to acquire 1,300,000 shares of the Company at an exercise price of $0.13 per share, with an expiry date of March 2, 2019.

On March 6, 2014, the Company retracted the 1,300,000 stock options granted on March 3, 2014.

On March 6, 2014, a loan payable in the principal amount of $20,000 was partially repaid in the amount of $10,000.

On March 10, 2014, the Company issued 13,256,000 units at $0.05 per unit for gross proceeds of $662,800. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until September 10, 2015 at $0.075 per share. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of $15,600 along with the issuance of 312,000 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until September 10, 2015 at $0.075 per share. These agent warrants have a fair value, calculated using the Black-Scholes option pricing model, of $42,959 or $0.14 per option, assuming an expected life of one and a half years, a risk-free interest rate of 1.04%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 204%.

12. SUBSEQUENT EVENTS (continued)

On March 10, 2014, a loan payable in the principal amount of $20,000 was repaid to a company with common directors. The amount repaid including principal and accrued interest was $21,120.

On March 12, 2014, the Company granted 1,500,000 stock options to certain directors, officers, and consultants of the Company to acquire 1,500,000 shares of the Company at an exercise price of $0.16 per share, with an expiry date of March 11, 2019. The options vest immediately.

On March 17, 2014, the Company announced that it received the decision in the arbitration hearings between the Company and the vendors of the Chuchi property, located in northern British Columbia. The arbitration stemmed from the company's allowing a number of claims to lapse in 2007 and subsequently acquiring certain claims covering a portion of the area of the lapsed claims at a later date from a third party. The arbitrator in the case has ruled in favour of the Company's claim that the 3% net smelter royalty that was attached to the original claims (that were dropped) does not apply to the disputed ground. As such, the vendors of the property own a 3% NSR on only the five core claims to the property, which cover only 1,695.94 hectares of the total 5,365.24 hectares that constitute the Chuchi property. In addition, the vendors' claim for damages for breach of contract by reason of the forfeiture of mineral claims acquired under the agreement was dismissed, and the vendors must immediately remove the notice to third parties that they had previously filed with the Mining Recorder's Office on the records of the mineral claims. The Company must pay the vendors a total of $40,351 (representing the 2012 and 2013 advance royalty payments plus prejudgment interest), and the Company is also required to continue to pay to the vendors an advance royalty payment in the amount of $20,000 per year on or before October 25 in each subsequent year that the Company holds any interest in the five core mineral claims.

On March 19, 2014, 80,000 stock options were cancelled with an exercise price of $0.50 per share.

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg, a private company located in Ontario, for $120,000. The Company has signed a Letter of Intent with the principals of AAA Heidelberg whereby the Company has been granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of a Marihuana for Medical Purposes Regulations (“MMPR”) license and by issuing up to 16,000,000 common shares of the Company subject to TSX Venture Exchange escrow policies.