



(“an Exploration Stage Entity”)

Unaudited Condensed Interim Consolidated
Financial Statements
For the six month periods ended
June 30, 2013 and 2012

**NOTICE OF NO REVIEW OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, Subsection 4.3 (3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(Unaudited)

As at June 30, 2013 and December 31, 2012

| | June 30, 2013 \$ | December 31, 2012 \$ |
|---|------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 656 | 3,019 |
| Receivables | 28,143 | 40,161 |
| Prepaid expenses | 24,930 | 25,653 |
| | <u>53,729</u> | <u>68,833</u> |
| Non-current assets | | |
| Intangible assets (note 4) | 5,456,995 | 5,327,127 |
| Investments (note 5) | 1 | 1 |
| Total Assets | <u>5,510,725</u> | <u>5,395,961</u> |
| Liabilities | | |
| Current liabilities | | |
| Trade payables and accrued liabilities (note 10) | 729,972 | 647,927 |
| Advance on private placement | 5,400 | - |
| Total Liabilities | <u>735,372</u> | <u>647,927</u> |
| Shareholders' Equity | | |
| Share capital (note 6) | 7,817,316 | 7,653,298 |
| Contributed surplus (note 7(c)) | 1,403,920 | 1,368,477 |
| Warrants (note 6) | 308,000 | 279,141 |
| Accumulated deficit | (4,753,883) | (4,552,882) |
| Total Shareholders' Equity | <u>4,775,353</u> | <u>4,748,034</u> |
| Total Liabilities and Shareholders' Equity | <u>5,510,725</u> | <u>5,395,961</u> |

Going concern (note 1)

Commitment (note 11)

Subsequent event (note 13)

Contingent liability (note 14)

Approved by the Board of Directors

“Byron Coulthard”

Director

“Troy Nikolai”

Director

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

Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

(Unaudited)

For the six months ended June 30, 2013 and 2012

| | 6 months ended June 30, 2013 \$ | 3 months ended June 30, 2013 \$ | 6 months ended June 30, 2012 \$ | 3 months ended June 30, 2012 \$ |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Operating Expenses | | | | |
| Administrative expenses | 78,264 | 51,332 | 187,018 | 49,292 |
| Amortization | - | - | 2,066 | 863 |
| Management fees (note 10) | 75,362 | 50,362 | 133,321 | 44,398 |
| Professional fees | 62,482 | 55,782 | 192,515 | 145,868 |
| Share-based payments (note 7(c)) | - | - | 5,445 | - |
| Travel | 440 | - | 39,011 | 2,364 |
| | <u>216,548</u> | <u>157,476</u> | <u>559,376</u> | <u>242,785</u> |
| Loss from operations | (216,548) | (157,476) | (559,376) | (242,785) |
| Other income | 15,547 | 15,547 | - | - |
| Gain on land disposal | - | - | 150,000 | - |
| Net loss before taxes | <u>(201,001)</u> | <u>(141,929)</u> | <u>(409,376)</u> | <u>(242,785)</u> |
| Deferred income tax recovery | - | - | 257,297 | - |
| Net loss | <u>(201,001)</u> | <u>(141,929)</u> | <u>(152,079)</u> | <u>(242,785)</u> |
| Other comprehensive income | - | - | - | - |
| Comprehensive loss for the year | <u>(201,001)</u> | <u>(141,929)</u> | <u>(152,079)</u> | <u>(242,785)</u> |
| Net loss per share (note 2) | | | | |
| Basic | (0.00) | (0.00) | (0.00) | (0.00) |
| Diluted | (0.00) | (0.00) | (0.00) | (0.00) |
| Weighted average number of basic and diluted common shares | 97,220,157 | 98,902,423 | 90,547,343 | 95,319,200 |

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Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Condensed Interim Consolidated Statements of Changes in Equity

Expressed in Canadian dollars

(Unaudited)

For the six months ended June 30, 2013 and 2012

| | Share Capital | Contributed Surplus | Warrants | Accumulated Other Comprehensive Income | Accumulated Deficit | Total Equity |
|--|------------------|------------------------|----------------|---|------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance – January 1, 2013 | 7,653,298 | 1,368,477 | 279,141 | - | (4,552,882) | 4,748,034 |
| Net loss and comprehensive loss for the period | - | - | - | - | (201,001) | (201,001) |
| Warrants exercised | 12,954 | - | (2,954) | - | - | 10,000 |
| Private placement | 151,544 | - | 67,256 | - | - | 218,800 |
| Share issuance cost | (480) | - | - | - | - | (480) |
| Expired warrants | - | 35,443 | (35,443) | - | - | - |
| Shares issued for mining properties | - | - | - | - | - | - |
| Balance – June 30, 2013 | 7,817,316 | 1,403,920 | 308,000 | - | (4,753,883) | 4,775,353 |
| Balance – January 1, 2012 | 6,647,549 | 1,074,313 | 324,162 | - | (4,088,947) | 3,957,077 |
| Net loss | - | - | - | - | (152,079) | (152,079) |
| Other comprehensive income for the period | - | - | - | - | - | - |
| Share options exercised | - | - | - | - | - | - |
| Share options granted | - | 5,445 | - | - | - | 5,445 |
| Expired warrants | 45,569 | (53,082) | 7,513 | - | - | - |
| Private placement | 1,008,802 | - | 214,645 | - | - | 1,223,447 |
| Shares issued for mining properties | 18,000 | - | - | - | - | 18,000 |
| Balance – June 30, 2012 | 7,719,920 | 1,026,676 | 546,320 | - | (4,241,026) | 5,051,890 |

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Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian dollars

(Unaudited)

For the six months ended June 30, 2013 and 2012

| | 6 months ended June 30, 2013 | 6 months ended June 30, 2012 |
|--|---------------------------------|---------------------------------|
| | \$ | \$ |
| Cash provided by (used in): | | |
| Operating activities | | |
| Net (loss) for the period | (201,001) | (152,079) |
| Adjustments for: | | |
| Amortization | - | 2,066 |
| Share-based payments | - | 5,445 |
| Gain on assignment of land | - | (150,000) |
| Income taxes | - | (257,297) |
| Changes in items of non-cash working capital: | | |
| Receivables | 12,018 | (117,518) |
| Prepaid expenses | 723 | (36,290) |
| Trade payables and accrued liabilities | 82,045 | (977,502) |
| | <u>(106,215)</u> | <u>(1,683,175)</u> |
| Investing activities | | |
| Intangible assets | (129,868) | (113,375) |
| Disposal of fixed assets | - | 1,448 |
| | <u>(129,868)</u> | <u>(111,927)</u> |
| Financing activities | | |
| Net proceeds on private placement | 218,320 | 1,221,011 |
| Net proceeds on warrants exercised | 10,000 | - |
| Advance on private placement | 5,400 | - |
| | <u>233,720</u> | <u>1,221,011</u> |
| Decrease in cash and cash equivalents | <u>(2,363)</u> | <u>(574,091)</u> |
| Cash and cash equivalents – Beginning of year | <u>3,019</u> | <u>579,817</u> |
| Cash and cash equivalents – End of year | <u>656</u> | <u>5,726</u> |
| Income taxes paid | - | - |
| Interest paid | - | - |
| See note 5 and note 6(c) for other non-cash items | | |

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

Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Notes to Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

(Unaudited)

For the six months ended June 30, 2013

1 Nature of operations and going concern

Trueclaim Exploration Inc. (the “Company”) is a Canadian company which is engaged in the acquisition, exploration and development of resource properties in Canada and the United States. The Company has not yet determined whether its mining properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mining properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to fund costs to complete the exploration and evaluation of its properties, and upon future profitable production or proceeds from the disposal of properties.

The condensed interim consolidated financial statements of the Company have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. During the six month period ended June 30, 2013, the Company had a comprehensive loss of \$201,001 (2012 - \$152,079) and as at June 30, 2013, reported a deficit of \$4,753,883 (2012 - \$4,241,026). These circumstances may lend significant doubt as to the ability of the Company to continue operations into the foreseeable future as a going concern and, accordingly, the ultimate appropriateness of the use of reporting standards applicable to a going concern. Management has obtained financing through the issuance of new equity instruments from third parties for the Company to continue its operations and, while it has been successful in raising funds in the past, there can be no assurance that the Company will be able to do so in the future should additional funding be needed. Without such additional funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these condensed interim consolidated financial statements.

Although management has taken steps to verify title to mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

The Company is a public company which is listed on the TSX Venture Exchange (the “Exchange”). The address of its registered office is #800 – 885 West Georgia Street, Vancouver, BC V6C 3H1.

These condensed interim consolidated financial statements, as at and for the six months ended June 30, 2013, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with IFRS, have been omitted or condensed.

The condensed interim consolidated financial statements were approved by the board of directors for issue on August 29, 2013.

Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Notes to Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

(Unaudited)

For the six months ended June 30, 2013

2 Summary of significant accounting policies and significant judgments and estimates

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are described below.

Basis of measurement

The condensed interim consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments classified as ‘fair value through profit and loss’ (“FVTPL”) which have been measured at fair value. The comparative figures presented in these condensed interim consolidated financial statements are in accordance with IFRS.

All amounts are expressed in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

Consolidation

The financial statements of the Company consolidate the accounts of Trueclaim Exploration Inc. and its wholly owned subsidiary, Trueclaim Resources Inc. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks.

Fixed assets

Fixed assets are stated at cost less accumulated amortization and impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The major categories of fixed assets are amortized on a declining balance as follows:

| | |
|--------------------|-----|
| Computer Equipment | 30% |
|--------------------|-----|

Impairment

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

Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

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

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

Intangible Assets

The Company records its interests in mining properties and areas of geological interest at cost as intangible assets in the consolidated statements of financial position. Each individual mining property is defined as a cash generating unit. Exploration and evaluation costs relating to these interests and projects are capitalized until the properties to which they relate are placed into production, sold or allowed to lapse. During the six month period ended June 30, 2013, \$129,868 (2012 - \$113,375) of costs were incurred for exploration, evaluation and acquisitions of mining properties. Management reviews the carrying values of intangible assets on a regular basis to determine whether any write downs are necessary. These costs will be amortized over the estimated useful life of the mining properties following commencement of production, or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers at an agreed upon date.

The fair value of the tax benefit received by the subscriber is recorded as a liability which is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded. The difference between the liability and the value of the tax assets renounced is recorded as a deferred tax expense.

A deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures that are capitalized to exploration and evaluation assets and their tax basis. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by the recognition of a corresponding deferred tax asset.

Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

For the six months ended June 30, 2013

Income Tax

Current income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes

Deferred tax assets and liabilities represent income taxes expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company's condensed interim consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax assets also represent income taxes expected to be recoverable on unclaimed losses carried forward.

Deferred taxes are calculated using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, with some exceptions described below. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Neither deferred tax liabilities, nor deferred tax assets, are recognized as a result of temporary differences that arise from the initial recognition of goodwill or a transaction, other than a business combination, that affects neither accounting profit nor taxable profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the 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.

Deferred tax asset and liabilities are measured using the enacted or substantively enacted tax rates as of the statement of financial position date that are expected to be in effect when the differences reverse or when unclaimed losses are utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for asset recognition, a deferred tax asset is recognized.

Deferred tax is recognized in the consolidated statements of loss and comprehensive loss, unless it relates to items recognized directly in equity, in which case the deferred tax related to those items is also recognized directly in equity.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of

Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Notes to Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

(Unaudited)

For the six months ended June 30, 2013

common shares outstanding during the period, if dilutive. During the six month period ended June 30, 2013 and 2012, all of the outstanding stock options and warrants were antidilutive.

Share capital

Non-monetary consideration

Shares issued as purchase consideration in non-monetary transactions are recorded at the fair value of the consideration received by the Company.

Shares issued to non-employees are recorded at the fair value of the goods and services received by the Company.

Share-based compensation

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments. These amounts are recorded at the fair value of the equity instrument granted.

Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital.

Significant accounting judgments and estimates

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the condensed interim consolidated financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The most significant estimates relate to determining the fair value of share based payments to non-employees and impairment testing of the Company's intangible assets, fixed assets and investments. During the six month period ended June 30, 2013, \$nil (2012 - \$5,445) was recorded as share-based payments and either capitalized to intangible assets or expensed in the statement of loss and comprehensive loss.

Financial instruments

All financial assets are initially classified into one of five categories: fair value through profit and loss (FVTPL), held-to-maturity, available for sale, loans and receivables and amortized cost.

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

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including the transaction costs. They are subsequently measured at amortized cost using the effective interest rate method. The Company does not have any held-to-maturity investments.

Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

For the six months ended June 30, 2013

Financial assets classified as available for sale are measured at fair value with gains and losses recognized through a reserve in other comprehensive income. The Company’s investment in Northern Skye Resources would have been classified as available for sale if it has not been fully impaired and the fair value of these investments is readily determinable.

Financial assets classified as loans-and-receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a provision for impairment. The Company’s receivables are classified as loans and receivables.

Financial liabilities at amortized cost consist of trade payables and accrued liabilities and advance on private placement. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest rate method.

New accounting standards and interpretations

The following Standards and Interpretations were adopted as of January 1, 2013.

- IFRS 10 – Consolidated Financial Statements.
- IFRS 11 – Joint Arrangements.
- IFRS 12 – Disclosure of Interest in Other Entities.
- IFRS 13 – Fair Value Measurement.
- IAS 27 – Separate Financial Statements.
- IAS 28 – Investments in Associates and Joint Ventures.

IFRS 10 was issued in June, 2011 and is the result of the IASB’s project to replace Standing Interpretations Committee 12, "Consolidation - Special Purpose Entities" and the consolidation requirements of IAS 27, "Consolidated and Separate Financial Statements". The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides detailed guidance on how to apply the control principles in a number of situations, including agency relationships and holdings or potential voting rights. The amendment did not have a material impact on the Company’s condensed interim financial statements.

IFRS 11 was issued in June, 2011 and is the result of the IASB’s project to replace IAS 31, “Interest in Joint Ventures”. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The amendment did not have a material impact on the Company’s condensed interim financial statements.

IFRS 12 was issued in June, 2011 and 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. The amendment did not have a material impact on the Company’s condensed interim financial statements.

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Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

For the six months ended June 30, 2013

IFRS 13 was issued in June, 2011 and provides a common definition of fair value establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements. The amendment did not have a material impact on the Company’s condensed interim financial statements.

IAS 27 revised in 2011 was issued in May, 2011 and provides guidance in respect to Separate Financial Statements. The amendment did not have a material impact on the Company’s condensed interim financial statements.

IAS 28 revised in 2011 was issued in May, 2011 and prescribes the accounting 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. The amendment did not have a material impact on the Company’s condensed interim financial statements.

The following Standards and Interpretations were issued but not yet effective:

- IFRS 9 (2009) (AC 146) - Financial Instruments. Effective for annual periods beginning on or after January 1, 2015.
- IFRS 9 (2010) (AC 146) - Financial Instruments. Effective for annual periods beginning on or after January 1, 2015.

IFRS 9 (2009) (AC 146) will be adopted by the Company for the first time for its financial reporting period ending December 31, 2015. The standard will be applied retrospectively, subject to transitional provisions. IFRS 9 (AC 146) addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39 (AC 133). Under IFRS 9 (AC 146) there are two options in respect of classification of financial assets, namely, financial assets measured at amortized cost or at fair value. Financial assets are measured at amortized cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The impact on the financial statements for the group has not yet been estimated.

IFRS 9 (2010) (AC 146) will be adopted by the Company for the first time for its financial reporting period ending December 31, 2015. The standard will be applied retrospectively, subject to transitional provisions. IFRS 9 (2010) (AC 146) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39 (AC 133).

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39 (AC 133), except for the following two aspects: fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

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(Unaudited)

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Under IFRS 9 (2010) (AC 146) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) (AC 146) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. The impact on the financial statements for the group has not yet been determined.

3 Fixed Assets

| | Computer Hardware |
|---------------------------------|------------------------------|
| Cost | \$ |
| As at January 1, 2012 | 21,084 |
| Additions | - |
| Disposals | (1,829) |
| As at December 31, 2012 | <u>19,255</u> |
| Additions | - |
| Disposals | - |
| As at June 30, 2013 | <u>19,255</u> |
| | |
| Accumulated amortization | |
| As at January 1, 2012 | 5,047 |
| Expense for the year | 4,261 |
| Disposals | (1,129) |
| As at December 31, 2012 | <u>8,179</u> |
| Expense for the period | - |
| As at June 30, 2013 | <u>8,179</u> |
| | |
| Impairment | |
| As at January 1, 2012 | - |
| Impairment for the year | (11,076) |
| As at December 31, 2012 | <u>(11,076)</u> |
| Impairment for the period | - |
| As at June 30, 2013 | <u>(11,076)</u> |
| | |
| Net book value | |
| As at December 31, 2012 | <u>-</u> |
| As at June 30, 2013 | <u>-</u> |

As at December 31, 2012, the new management of the Company determined that all of its fixed assets were impaired and had written off the entire carrying value to \$nil.

Trueclaim Exploration Inc. (“an Exploration Stage entity”)

Notes to Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

(Unaudited)

For the six months ended June 30, 2013

4 Intangible Assets

| | Mineral Properties |
|---------------------------|-------------------------------|
| Cost | \$ |
| As at January 1, 2012 | 5,733,106 |
| Additions | 599,439 |
| Disposals | (308,968) |
| As at December 31, 2012 | <u>6,023,577</u> |
| Additions | 129,868 |
| Disposals | - |
| As at June 30, 2013 | <u>6,153,445</u> |
| Impairment | |
| As at January 1, 2012 | (696,450) |
| Impairment for the year | - |
| As at December 31, 2012 | <u>(696,450)</u> |
| Impairment for the period | - |
| As at June 30, 2013 | <u>(696,450)</u> |
| Net book value | |
| As at December 31, 2012 | <u>5,327,127</u> |
| As at June 30, 2013 | <u>5,456,995</u> |

Mineral Properties

| | June 30, 2013 | December 31, 2012 |
|---|----------------------|--------------------------|
| | \$ | \$ |
| Sandeb mining property | - | - |
| Scadding area mining properties | 4,669,627 | 4,641,298 |
| Black diamond mining property | 787,368 | 685,829 |
| Linear mining property | - | - |
| Berry-Desboues Township mining property | - | - |
| Hebecourt Township mining property | - | - |
| Boston Township mining property | - | - |
| Cook/Guibord Townships property | - | - |
| | <u>5,456,995</u> | <u>5,327,127</u> |

Sandeb mining property

There has been no active exploration performed on Sandeb in over two years. Management assessed an impairment charge of \$658,635 during the year ended December 31, 2010. As at June 30, 2013, management believes that the impairment is accurate.

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Scadding area mining properties

The Company has an in interest in leases and mineral property options which are contiguous in the area of Scadding, Ontario. These leases/claims were acquired for gold exploration purposes.

The leased property consists of an option to earn a 51% interest in certain provincial mining leases and mineral claims located in the district of Sudbury in the province of Ontario. The Scadding claims were acquired by management for gold exploration purposes, and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an aggregate of 2,000,000 common shares in installments of 500,000 shares every six months over a period of two years with the first issuance due February 13, 2010. The first two installments of the shares were issued during 2010, and the third and fourth installments were issued during the year ended December 31, 2011.
2. The Company must issue an aggregate of 300,000 common shares in installments of 150,000 shares over a period of three years with the first issuance due May 5, 2010 and the second issuance on or before May 5, 2012. The first installment of these shares was issued during 2010 and the second installment was issued during the year ended December 31, 2011.
3. The Company must incur an aggregate of \$2,000,000 in cash exploration costs. This requirement was met during the year ended December 31, 2010.

The Company can increase its interest in the Scadding claims from 51% to 100% by paying \$2,000,000 in cash on or before commencement of commercial production on the Scadding area mining properties. The Scadding claims are subject to a \$1.00 per ton royalty covering ore removed from the property and a 3% net smelter return (‘NSR’) royalty. Included in the Scadding mining properties are several staked properties that have been registered with the Ontario Ministry of Natural Resources.

The Company issued 50,000 common shares and paid \$12,500 for an option on approximately 4,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 300,000 common shares in the following installments: 100,000 common shares at or before January 16, 2011, which were issued during the year ended December, 2011 and 200,000 common shares at or before January 16, 2012, which were issued on February 9, 2012.

The Company issued 100,000 common shares for an option on approximately 17,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 700,000 common shares in the following installments; 200,000 common shares at or before July 23, 2011, 200,000 common shares at or before July 23, 2012 and 300,000 common shares at or before July 23, 2013. Only the first installment of shares was issued during the year ended December 31, 2011.

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2. The Company must make cash payments of \$100,000 in the following installments: \$20,000 on or before July 23, 2011, \$30,000 on or before July 23, 2012 and \$50,000 on or before July 23, 2013. Only the first installment of cash payment was made during the year ended December 31, 2011.
3. The Company determined that this option agreement was technically in default. The Company has obtained confirmation from the Optioner that they will continue to keep the Company’s optioned interest on the property in good standing until the Company has raised sufficient funds to continue with the exploration program of the property.

Black Diamond Mining Property

The Company has an option to acquire 100% working interest in a mineral property option in the area of Gila County, Arizona. These claims were acquired for silver exploration purposes.

The Black Diamond property is subject to a 10% net smelter return royalty, which can be reduced to 1% subject to the Company completing a series of payment requirements to the claim holder. The Company issued 200,000 common shares and paid \$25,000 for the options and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 600,000 common shares in the following installments: 200,000 on or before May 19, 2011, 200,000 on or before May 19, 2012 and 200,000 on or before May 19, 2013. Only the first installment of shares was issued during the year ended December 31, 2011.
2. The Company must make additional cash payment of \$825,000 USD in the following installments; \$25,000 USD is due on or before May 19, 2011, \$100,000 USD is due on or before November 19, 2011, \$200,000 USD on or before May 19, 2012 and \$500,000 USD on or before May 19, 2013. The first two installments were made for a total of \$125,000 USD during the year ended December 31, 2011. During the year ended December 31, 2012, a further \$56,000 USD cash payments was made.
3. The Company must incur an aggregate of \$1,500,000 USD in cash exploration costs; \$1,000,000 USD of which must be incurred on or before May 19, 2012 and a further \$500,000 must be incurred on or before May 19, 2013. As at December 31, 2012, the Company has incurred exploration costs of \$468,992.
4. The Company determined that this option agreement was technically in default. The Company has obtained confirmation from the Optioner that they will continue to keep the Company’s optioned interest on the property in good standing until the Company has raised sufficient funds to continue with the exploration program of the property.

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Linear, Berry-Desboures, Hebecourt, Boston and Cook/Guibord mining properties

The Company entered into an agreement with Northern Skye Resources Inc. (“Northern Skye”) dated January 26, 2012 whereby Northern Skye has assumed all obligations and payments under the Linear, Berry-Desboures, Hebecourt, Boston, and Cook-Guibord Option agreements. As consideration for assigning the Option Agreements to Northern Skye, Northern Skye has agreed:

1. To issue to the Company three million (3,000,000) common shares in the capital of Northern Skye;
2. To pay in cash such amounts representing the actual cash expenditures already paid by the Company in respect of the acquisition of its option rights in and to each of the Optioned Properties;
3. The Company retains a ten percent (10%) carried working interest (the “Retained Interest”) in each of the Optioned Properties;
4. Northern Skye shall have the right, but not the obligation, to purchase at any time and from time-to-time increments of not less than one percent (1%) up to the entire Retained Interest in any or all of the Optioned Properties for consideration of one million dollars (\$1,000,000) per one percent (1%) interest.

5 Investments

On February 9, 2012, as part of an assignment agreement, the Company received 3,000,000 shares in Northern Skye Resources, a Canadian private company, which shares has no readily market for trading and thus no other reliable measure to determine its fair value. As a non-monetary transaction, the investment was initially recognized at a fair value equal to the consideration of assets given up, or the remainder of expenditures spent by the Company that was not reimbursed by Northern Skye, as a more reliable measure of fair value received. The investment was thus initially valued at \$39,985, and as at December 31, 2012, management determined that there were impairment losses on these investments and wrote down the investments to a nominal value of \$1 through earnings.

6 Capital Stock

Authorized:

Unlimited number of common shares without par value

Issued:

| | | June 30, 2013 | | December 31, 2012 | |
|--------------------------------|------|-------------------|------------------|-------------------|------------------|
| | | Number | Amount \$ | Number | Amount \$ |
| Common Shares | Note | | | | |
| Beginning of year | | 95,519,200 | 7,653,298 | 78,617,700 | 6,647,549 |
| Options and warrants exercised | 6d | 100,000 | 12,954 | - | - |
| Flow through units issued | 6e | - | - | - | - |
| Share issuance costs | 6a | - | (480) | - | (77,417) |
| Private placement | 6g | 3,646,666 | 151,544 | 16,501,500 | 1,057,166 |
| Shares issued as consideration | 6c | - | - | 400,000 | 26,000 |
| Balance | | 99,265,866 | 7,817,316 | 95,519,200 | 7,653,298 |

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| | Note | June 30, 2013 | | December 31, 2012 | |
|---------------------------|------|-------------------|----------------|-------------------|----------------|
| | | Number | Amount \$ | Number | Amount \$ |
| Warrants | | | | | |
| Beginning of year | | 10,515,455 | 279,141 | 10,284,079 | 324,162 |
| Warrants expired | 6f | (2,264,705) | (35,443) | (8,019,374) | (288,719) |
| Flow through units issued | 6e | - | - | - | - |
| Private placement | 6g | 3,646,666 | 67,256 | 8,250,750 | 262,954 |
| Finders options exercised | 6d | - | - | - | - |
| Warrant issuance costs | 6b | - | - | - | (19,256) |
| Exercised warrants | 6d | (100,000) | (2,954) | - | - |
| Balance | | 11,797,416 | 308,000 | 10,515,455 | 279,141 |

a) Share issuance costs

Share issuance costs in conjunction with the February 12, 2012 private placement amounted to \$77,417 net of tax of \$1,950. This includes 1,119,000 units issued in lieu of a cash finder’s fee with a fair value of \$89,520 of which \$71,688 is attributable to share issuance costs and \$17,832 of which is attributable to warrant issuance costs. Each unit consists of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant entitles the finder to acquire one common share of the Company at an exercise price of \$0.10 per share until February 12, 2014.

Share issuance costs in conjunction with the April 8, 2013 private placement amounted to \$480.

b) Warrant issuance costs

Warrant issuance costs in conjunction with the February 12, 2012 private placement amount to \$19,256 net of tax of \$485. This includes 1,119,000 units issued in lieu of a cash finder’s fee with a fair value of \$89,520 of which \$71,688 is attributable to share issuance costs and \$17,832 of which is attributable to warrant issuance costs. Each unit consists of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant entitles the finder to acquire one common share of the Company at an exercise price of \$0.10 per share until February 12, 2014.

c) Shares issued for consideration of property

On January 24, 2012, the Company issued 200,000 common shares as part of a Scadding area mining properties contract signed on July 23, 2010. These shares were valued at \$18,000 on the date of issuance.

On June 22, 2012, the Company issued 200,000 common shares as part of a Black Diamond Mining Property contract. These shares were valued at \$8,000 on the date of issuance.

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d) Options and warrants exercised

During the six months ended June 30, 2013, there were 100,000 warrants exercised for 100,000 common shares of the Company at a price of \$0.10 per share for total proceeds of \$10,000. In addition, \$2,954 was transferred from warrants to common shares as a result of the transaction.

e) Flow through units issued

During the six month period ended June 30, 2013 and for the year ended December 31, 2012, there were no flow through units issued.

f) Expired warrants

During the six month period ended June 30, 2013, 2,264,705 warrants expired (Year ended December 31, 2012: 8,019,374). The value of the expired warrants \$35,443 (Year ended December 31, 2012: \$288,719) has been transferred to contributed surplus.

g) Private placement

On February 12, 2012, 16,501,500 units were issued for total proceeds of \$1,320,120. Of this amount, \$1,057,166 was attributable to common shares and \$262,954 was attributable to warrants using the Black-Scholes pricing model. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant entitles the finder to acquire one common share of the Company at an exercise price of \$0.10 per share until February 12, 2014. The following assumptions were used in the Black-Scholes pricing model: Risk-free interest rate: 1.00%; Expected dividend yield: 0%; Expected price volatility: 87%; and Expected life: 2 years.

On April 8, 2013, 3,646,666 units were issued for total proceeds of \$218,800. Of this amount, \$151,544 was attributable to common shares and \$67,256 was attributable to warrants using the Black-Scholes pricing model. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.10 per share until April 8, 2014. The following assumptions were used in the Black-Scholes pricing model: Risk-free interest rate: 1.01%; Expected dividend yield: 0%; Expected price volatility: 143%; and Expected life: 1 year.

7 Stock options

a) Stock option plan

The Company has a stock option plan, which allows the Company to issue options to certain directors, officers, employees and consultants of the Company. Options issued under the plan shall not exceed 10% of shares issued and outstanding at the time of granting of the options. Options granted under the plan may have a maximum term of five years. The exercise price of options granted under the plan will not be less than the market price of the shares (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date), less the applicable discount permitted by the rules of the Exchange.

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Stock options granted under the plan vest immediately subject to vesting terms, which may be imposed at the discretion of the directors.

Stock option transactions during the six month period ended June 30, 2013 and year ended December 31, 2012, were as follows:

| | June 30 2013 | | December 31 2012 | |
|--------------------------|------------------------------|---|------------------------------|---|
| | Number of options | Weighted average exercise price \$ | Number of options | Weighted average exercise price \$ |
| Beginning of period/year | 4,725,000 | 0.15 | 6,031,500 | 0.14 |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Expired | - | - | (1,306,500) | 0.18 |
| Balance | 4,725,000 | 0.15 | 4,725,000 | 0.15 |

As at June 30, 2013, the following share purchase options were outstanding:

| Grant Date | Number of Options | Value \$ | Exercise Price | Weighted Average Exercise Price | Expiry Date |
|-------------------|------------------------------|---------------------|---------------------------|--|--------------------|
| February 20, 2009 | 725,000 | 32,088 | \$0.09 | \$0.09 | February 20, 2014 |
| July 17, 2009 | 300,000 | 22,500 | \$0.10 | \$0.10 | July 17, 2014 |
| August 27, 2009 | 1,100,000 | 116,600 | \$0.18 | \$0.18 | August 27, 2014 |
| September 1, 2010 | 400,000 | 27,548 | \$0.12 | \$0.12 | September 1, 2015 |
| April 28, 2011 | 2,200,000 | 178,640 | \$0.17 | \$0.17 | April 28, 2016 |
| Balance | 4,725,000 | 377,376 | | \$0.15 | |

No expense relating to stock options granted prior to 2009 have been recorded in these condensed interim consolidated financial statements as the options were granted by the Company prior to the reverse takeover transaction on December 18, 2008 and the amounts were not significant.

The Company recorded \$nil (2012: \$5,445) as share-based compensation for options vested during the six month period ended June 30, 2013 and the year ended December 31, 2012 respectively.

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- b) Finder’s option transactions for the six month period ended June 30, 2013 and the year ended December 31, 2012, were as follows:

| | June 30 2013 | | December 31 2012 | |
|--------------------------|---|---|---|---|
| | Number of finder’s options | Weighted average exercise price \$ | Number of finder’s options | Weighted average exercise price \$ |
| Beginning of period/year | 452,941 | 0.17 | 895,248 | 0.21 |
| Issued | - | - | - | - |
| Exercised | - | - | - | - |
| Expired | (452,941) | 0.17 | (442,307) | 0.26 |
| Balance | - | - | 452,941 | 0.17 |

- c) Contributed surplus

The fair value of stock options which vest immediately, are recorded as an increase to contributed surplus upon issuance of the options. The fair value of stock options which do not vest immediately is recorded as an increase to contributed surplus over the vesting period. On exercise of a stock option, the fair value previously recorded in contributed surplus is removed and recorded as share capital.

The following is the change in contributed surplus for the three month period ended June 30, 2013 and the year ended December 31, 2012:

| | June 30, 2013 \$ | December 31, 2012 \$ |
|------------------------------|---------------------------------|-------------------------------------|
| Opening balance, January 1 | 1,368,477 | 1,074,313 |
| Issuance of stock options | - | 5,445 |
| Issuance of finder’s options | - | - |
| Exercised finder’s options | - | - |
| Exercised stock options | - | - |
| Expired warrants | 35,443 | 288,719 |
| Ending balance | 1,403,920 | 1,368,477 |

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8 Financial Instruments and Financial Risk Factors

Fair Values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm’s length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the observable inputs used to value the instrument:

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

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgement considering factors specific to an asset or liability and may affect placement within the fair value hierarchy.

The carrying value of cash and cash equivalents, receivables and trade payable and accrued liabilities approximate their fair values due to their short-term nature.

Foreign exchange risk

The Company had no revenue, operating expenses, monetary assets or liabilities that were denominated in a foreign currency. Certain expenditures in respect of the Black Diamond mining property are incurred in US dollars.

Credit risk

The Company did not have any commercial customers during the periods presented and is exposed to minimal credit risk through its bank.

Interest rate risk

The Company is exposed to minimal market interest rate fluctuations with respect to its cash and cash equivalents on hand.

Liquidity risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2013, the Company had current assets of \$53,729 (December 31, 2012 - \$68,833) and current liabilities of \$735,372 (December 31, 2012 - \$647,927). The Company is currently exploring opportunities to raise additional capital.

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9 Segment reporting

The Company is only involved in the exploration of minerals. Segment information is provided on the basis of geographic segments as the company manages its business through two geographic regions – Canada and the United States.

Total assets by geography

| | Canada | USA | June 30, 2013 Total |
|--------------|-----------|---------|------------------------|
| | \$ | \$ | \$ |
| Total assets | 4,721,807 | 787,368 | 5,509,175 |

10 Related party transactions

During the six month period ended June 30, 2013, the Company incurred key management compensation expenses in the amount of \$71,000 (2012 - \$133,321).

The above related party transactions were conducted in the normal course of business and were measured at the agreed to amounts which were agreed by the related parties.

As at June 30, 2013, the Company’s trade payable and accrued payable balances included \$76,400 payable to the above related parties.

11 Commitment

The Company is partially financed through the issuance of flow-through shares, requiring that the Company spend the proceeds for qualified mining exploration expenses. Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work, subject to penalties if the conditions are not respected. Although the Company is committed to taking all the necessary measures, refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

During the year ended December 31, 2011, the Company received \$770,000 following an issuance of flow-through units and renounced \$769,547 of its tax deductions relating to flow-through expenditures. The Company had until December 31, 2012 to make qualified mining exploration expenses totaling \$769,547. As at December 31, 2012, the Company had incurred \$240,796 of qualifying expenditures.

12 Capital management

The Company’s objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares to obtain financing.

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13 Subsequent event

On July 24, 2013, the Company closed a non-brokered private placement of 4,600,000 units at \$0.06 per unit for total gross proceeds of \$276,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per share for a period of 24 months after the date of closing of the private placement.

14 Contingent liability

The Company has a legal claim against it in the amount of \$44,220. The Company intends to defend itself against this claim. The outcome and amount to be paid, if any, are unknown, and as such no amounts related to this claim have been recorded in the condensed interim consolidated financial statements.

15 Comparative figures

Certain comparative figures have been reclassified to conform to the December 31, 2012 audited financial statement presentation.