Rae-Wallace Mining Company

Unaudited Interim Condensed Financial Statements

For the three and six month periods ended
June 30, 2014 and 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim condensed financial statements of Rae-Wallace Mining Company, are the responsibility of the management and Board of Directors of the Company.

The unaudited interim condensed financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"George Cole", CEO
George Cole

"Greg Gibson", Director
Greg Gibson

NOTICE TO READER

The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim financial statements for the three and six month periods ended June 30, 2014 and 2013 have not been reviewed by the Company's auditors.

RAE-WALLACE MINING COMPANY
UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
(expressed in U.S. Dollars)

	June 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash	$ 163,279	$ 174,152
TOTAL CURRENT ASSETS	163,279	174,152
TOTAL ASSETS	$ 163,279	$ 174,152
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable (Note 13)	$ 125,475	$ 118,344
Notes payable - related parties (Note 14)	5,612	5,612
TOTAL CURRENT LIABILITIES	131,087	123,956
SHAREHOLDERS' EQUITY:		
Capital stock (Note 5)	3,340,832	3,340,832
Reserve for warrants (Note 9)	888,000	888,000
Reserve for share based payments (Note 8)	332,000	332,000
Reserve for foreign currency translation	-	(50,127)
Accumulated deficit	(4,528,640)	(4,460,509)
TOTAL STOCKHOLDERS' EQUITY	32,192	50,196
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 163,279	$ 174,152

Nature of Operations and Going Concern (Note 1)
Segmented Information (Note 15)

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

RAE-WALLACE MINING COMPANY

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(expressed in U.S. Dollars)

	Three months ended,		Six months ended,	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
OPERATING EXPENSES:				
Consulting fees (Note 11)	$ 6,244	$ 8,000	$ 6,244	$ 12,989
Professional fees	4,586	17,947	7,045	54,529
Other general and administrative expenses	4,115	32,394	4,634	37,497
	(14,945)	(58,341)	(17,923)	(105,015)
Gain on forgiveness of debt	-	95,000	-	95,000
Foreign exchange (loss) gain	2,440	(11,158)	(81)	(5,555)
Income (loss) from continuing operations	(12,505)	25,501	(18,004)	(15,570)
Gain (loss) from discontinued operations	-	668,437	-	644,778
NET INCOME (LOSS)	$ (12,505)	$ 693,938	$ (18,004)	$ 629,208
OTHER COMPREHENSIVE LOSS:				
Net Income (Loss)	(12,505)	693,938	(18,004)	629,208
Exchange differences on translating foreign operations	-	-	-	5,603
Total Other Comprehensive Income (Loss)	(12,505)	693,938	(18,004)	634,811
NET LOSS PER SHARE - BASIC AND DILUTED				
Income (Loss) per share - from continuing operations	$ (0.00)	$ 0.00	$ (0.00)	$ (0.00)
Income (Loss) per share - from discontinued operations	$ 0.00	$ 0.03	$ 0.00	$ 0.03
Income (Loss) per share - net income (loss)	$ (0.00)	$ 0.03	$ (0.00)	$ 0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED	26,151,623	25,222,900	26,151,623	25,222,900

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

RAE-WALLACE MINING COMPANY

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

(expressed in U.S. Dollars)

	Common Stock		Reserve for Warrants	Reserve for Share based payments	Reserve for Foreign Currency Translation	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance, January 1, 2013	25,222,900	$ 3,250,960	$ 888,000	$ 325,000	$ (55,730)	$ (5,042,451)	$ (634,221)
Shares issued for settlement of debt	928,723	92,872	-	-	-	-	92,872
Foreign currency translation	-	-	-	-	5,603	-	5,603
Net income	-	-	-	-	-	629,208	629,208
Balance, June 30, 2013	26,151,623	$ 3,343,832	$ 888,000	$ 325,000	$ (50,127)	$ (4,413,243)	$ 93,462
Cost of share issuance	-	(3,000)	-	-	-	-	(3,000)
Vested portion of stock options granted	-	-	-	7,000	-	-	7,000
Net loss	-	-	-	-	-	(47,266)	(47,266)
Balance, December 31, 2013	26,151,623	$ 3,340,832	$ 888,000	$ 332,000	$ (50,127)	$ (4,460,509)	$ 50,196
Foreign currency translation	-	-	-	-	50,127	(50,127)	-
Net loss	-	-	-	-	-	(18,004)	(18,004)
Balance, June 30, 2014	26,151,623	$ 3,340,832	$ 888,000	$ 332,000	-	$ (4,528,640)	$ 32,192

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

RAE-WALLACE MINING COMPANY
UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(expressed in U.S. Dollars)

	Six month periods ended, June 30, 2014	Six month periods ended, June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (18,004)	$ 629,208
Adjustments to reconcile net loss to net cash used by operating activities:		
Foreign exchange	-	5,603
Gain on disposal of subsidiary (Note 4)	-	(668,437)
Changes in assets and liabilities:		
Prepaid expenses	-	3,524
Taxes and other receivables	-	(2,432)
Accounts payable and accrued liabilities	7,131	(328,226)
Net cash used by operating activities	(10,873)	(360,760)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of promissory notes (Note 14)	-	(124,321)
Net cash used in financing activities	-	(124,321)
Cash flow provided from discontinued operations	-	708,056
Net (decrease) increase in cash and cash equivalents	(10,873)	222,975
CASH AT BEGINNING OF PERIOD	174,152	8,049
CASH AT END OF PERIOD	$ 163,279	$ 231,024

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

General

Rae-Wallace Mining Company (hereinafter "Rae-Wallace" or "the Company") was incorporated under the laws of the State of Idaho in 1916. After several decades of dormancy, the Company reorganized in 1997 as an exploration stage company focused on evaluating, acquiring and exploring mineral prospects with potential for economic deposits of gold and silver. In 2011, the Company was re-domiciled to the Cayman Islands.

In 1998, the investor group controlling Rae-Wallace sold their entire interest to Silver Trend Mining Company for 1,500,000 shares of Silver Trend common stock. In 1999, Silver Trend sold the Company to a private investment group, which subsequently conveyed proportional interests to individual investors. In January 2007, the Company underwent a change of control with a new management group joining the Company. The Company's fiscal year-end was changed to December 31, from June 30 during fiscal 2011.

On February 8, 2010, the Company incorporated Rae Wallace Peru S.A.C., a wholly owned Peruvian subsidiary. Rae Wallace Peru was incorporated to hold the Company's Peruvian exploration properties. On April 3, 2013, the wholly owned Peruvian subsidiary was sold for a purchase price of $US700,000.

1. NATURE OF OPERATIONS AND GOING CONCERN

At June 30, 2014 the Company had a working capital of $32,192 (December 31, 2013 - $50,196 working capital) had not yet achieved profitable operations, had accumulated losses of $4,528,640 (December 31, 2013 - $4,460,509) and expects to incur further losses in the development of its business, all of which raises substantial doubt upon the Company's ability to continue as a going concern. Rae-Wallace will require additional financing in order to operate and meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption were not used then the adjustments required to report Rae-Wallace's assets and liabilities on a liquidation basis could be material to these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unaudited interim condensed financial statements, 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") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited interim condensed financial statements were authorized by the Board of Directors of the Company on August 12, 2014.

2.2 Basis of presentation

These unaudited interim condensed financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2013 audited annual financial statements.

2.3 Adoption of new and revised standards and interpretations

Adoption of New Standards
The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The adoption had no impact on the Company's financial statements.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The adoption had no impact on the Company's financial statements.

IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. The adoption had no impact on the Company's financial statements.

2. BASIS OF PREPARATION, (continued)

IFRIC 21 – Levies ("IFRIC 21") was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The adoption had no impact on the Company's financial statements.

New Accounting Pronouncements
Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

3. MINERAL PROPERTIES

Peru Property:

On March 25, 2010 the Company entered into a letter of intent agreement with Geologix Explorations Inc. to acquire the right to earn a 100% interest in eight of the Company’s Peruvian properties. The option agreement covered the Liscay, Largatija, Lachoc, Mirko, San Felipe, Sura, Toro Blanco and Cayhua properties (the “Properties”) which are currently owned 100% by the Company. Portions of the Liscay, Largatija, Lachoc, and Mirko properties are subject to a 2% precious metals NSR and a 1% base metals NSR payable to Newmont Peru S.A.

On July 22, 2010, the Company entered into an option agreement with Fronteer Gold under which Fronteer Gold can earn a 51% interest in any two of the Peru projects held by the Company by making a one time payment of $150,000 (received) and incurring expenditures on the properties of three times the previous expenditures on the projects.

On July 18, 2012, the Company entered into an agreement with Pilot Gold Inc. whereby Pilot Gold agreed to terminate its option to acquire a 51% in any two of the Company`s Peruvian properties upon the closing of a transaction that results in the listing of the Company`s common shares on a recognized stock exchange, in consideration for: (a) the issuance to Pilot Gold of 1,985,100 common shares of the Company; (b) the issuance to Pilot Gold of additional Common shares of the Company to maintain Pilot Gold 15.8% shareholdings of the Company; (c) the extension of the expiry date of the 1,000,000 ordinary share purchase warrants of the Company currently held by Pilot Gold to the date that is the later of: (i) July 23, 2014; and (ii) 24 months following the closing of the Company`s initial public offering (or other transaction resulting in the listing of the Company`s common shares on a recognized stock exchange); (d) the issuance to Pilot Gold of additional ordinary share purchase warrants, which if such warrants were exercised, would constitute 9.99% of the common shares of the Company after giving effect to the IPO; (e) the grant by Rae-Wallace to Pilot Gold of a 2% net smelter returns royalty; and (f) the grant by Rae-Wallace to Pilot Gold of a right of first offer in the event that the Company wishes to explore/develop any of the optioned projects with a third party.

On April 3, 2013, Rae-Wallace Mining Company completed the sale of its wholly owned subsidiary, Rae Wallace Peru S.A.C. (the “Rae Peru”) which holds the Company’s properties. The subsidiary was sold to an arm’s length private company for the purchase price of USD$700,000. See details in Note 4.

4. DISCONTINUED OPERATIONS

On April 3, 2013, Rae-Wallace Mining Company completed the sale of its wholly owned subsidiary, Rae Wallace Peru S.A.C. (the "Rae Peru") which holds the Company's properties. The subsidiary was sold to an arm's length private company for the purchase price of USD$700,000. On January 17th, 2013, the Company received a USD $10,000 loan from the arm's length private company who purchased Rae Peru which was repaid upon closing of the sale of Rae Peru.

Operating results related to Rae Peru have been included in Discontinued Operations on the Statements of Financial Position, the Statements of Loss and Comprehensive Loss and the Statements of Cash Flows for the three and six month periods ended June 30, 2014 and 2013. Amounts related to the discontinued operations have been reclassified in the comparative period to conform to the current year presentation

As a result of the transaction, the Company recognized a gain on disposal of $668,437 which was determined as follows:

Cash purchase price (USD)	$ 700,000
Net assets disposed of:	
Cash and cash equivalents	10,283
Prepaid expenses	9,195
Property, plant and equipment	25,018
Accounts payable and accrued liabilities	(12,933)
	31,563
Gain on disposition	668,437

As a result of the completion of the transaction, the Company reclassified the net loss from its Rae Peru operations of $nil and $nil for the three and six month period ended June 30, 2014 as loss for the period from discontinued operations (three and six month period ended June 30, 2013 – income of $668,437 and $644,778 respectively).

The breakdown of the income for the three and six month periods ended June 30, 2014 and 2013 from discontinued operations is as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	**Six months ended June 30, 2014**	Six months ended June 30, 2013
Consulting	**-**	-	**-**	(7,853)
Exploration and evaluation	**-**	-	**-**	(2,103)
Depreciation	**-**	-	**-**	(1,552)
Other general and administrative	**-**	-	**-**	(5,280)
Foreign exchange	**-**	-	**-**	(6,871)
Gain on disposal of subsidiary	**-**	668,437	**-**	668,437
Loss from discontinued operations	**-**	668,437	**-**	644,778

The net cash flows provided from discontinued operations during the six month period ended June 30, 2014 was $nil (June 30, 2014 - $708,056).

5. CAPITAL STOCK

Share Capital

Rae-Wallace is authorized to issue an unlimited number of common shares. The issued and outstanding common shares consist of the following:

	Number	Amount ($)
Balance at January 1, 2013	**25,222,900**	**3,250,960**
Issued for non-cash consideration:		
Shares issued for settlement of debt	928,723	92,872
Cost of share issuance		(3,000)
Balance at December 31, 2013 and June 30, 2014	**26,151,623**	**3,340,832**

Private Placements

On June 30, 2013, the Company issued 928,723 common shares to certain creditors of the Company at a price of $0.10 per common share in satisfaction of aggregate debts owed by the Company to these creditors in the amount of $92,872 pursuant to debt settlement agreements entered into with the creditors.

6. SHARE BASED PAYMENTS

Rae-Wallace established a stock option plan ("Plan") to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. The Plan authorizes the granting of up to 10,000,000 stock options to employees, directors and consultants. Options vest immediately and expire on the fifth anniversary from the date of issue unless otherwise specified.

A summary of stock options issued and outstanding is as follows:

	June 30, 2014			December 31, 2013		
		Weighted Average Exercise Price	**Number of Options**		Weighted Average Exercise Price	Number of Options
Outstanding at beginning of period/year	**$**	**0.21**	**2,210,000**	$	0.22	2,460,000
Transaction during the period/year:						
Granted		**-**	**-**		0.20	200,000
Cancelled		**-**	**-**		0.25	(450,000)
Outstanding at end of period/year		**0.21**	**2,210,000**		0.21	2,210,000
Exercisable at end of period/year	**$**	**0.21**	**2,210,000**	$	0.21	2,210,000

6. SHARE BASED PAYMENTS, (continued)

The following table provides additional information about outstanding stock options at June 30, 2014:

	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	No. of Options Currently Exercisable	Weighted Average Exercise Price – Exercisable Options
$ 0.20	**1,850,000**	**1.15**	**$ 0.20**	**1,850,000**	**$ 0.20**
$ 0.25	**360,000**	**1.32**	**$ 0.25**	**360,000**	**$ 0.25**
$ 0.20 - $0.25	**2,210,000**	**1.17**	**$ 0.21**	**2,210,000**	**$ 0.21**

Share based payments

On October 31, 2013, 200,000 options were issued to directors of the Company. The options have an exercise price of $0.20, and vested immediately. These options expire after two years. The fair value of the options granted was estimated on their grant date using the Black-Scholes Option Price Model.

The following assumptions were made in estimating fair value: risk-free interest rate of 1.1%; volatility of 100.0%; expected life of 2 years; dividend yield of zero. The options were valued at $0.04 per option, or $7,000. Stock based compensation expense based on the vested portion amounted to $7,000 in the year ended December 31, 2013.

7. WARRANTS

Month of Expiry	No. of Warrants	Exercise Price ($)
July 23, 2014	1,000,000	0.375
November 20, 2014	2,970,000	0.35
December 2, 2014	390,000	0.35
	4,360,000	

8. RESERVE FOR SHARE BASED PAYMENTS

	June 30, 2014	December 31, 2013
Balance at beginning of period/year	**$ 332,000**	$ 325,000
Share based payments	**-**	7,000
Balance at end of period/year	**$ 332,000**	$ 332,000

9. RESERVE FOR WARRANTS

		June 30, 2014		December 31, 2013
Balance at beginning of period/year	**$**	**888,000**	$	888,000
Balance at end of period/year	**$**	**888,000**	$	888,000

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

During the six month period ended June 30, 2014, $6,000 (2013 - $11,000) was charged for services by the Chief Financial Officer.

These expenses have been measured at their exchange amount, being the amounts negotiated and agreed to by the parties to the transactions. As at June 30, 2014, $nil (December 31, 2013 - $nil) of amounts due to related parties is included in accounts payable and accrued liabilities.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended December 31, 2012, the Company received various installment loans totaling CDN$105,185 through the issuance of a promissory note to Irwin Professional Corporation, a corporation controlled by the corporate secretary of the Company. The promissory note carries an interest rate of prime plus 6% calculated based on the Bank of Canada prime rate and is repayable on demand. As of June 30, 2014 and December 31, 2013, the Company has repaid the principal portion of the loan in full and the outstanding principal balance of the promissory note is $nil.

During the year ended December 31, 2012, the Company received a loan totaling USD$25,000 through the issuance of a promissory note to George Cole, the Company's CEO. The promissory note carries an interest rate of 10% and is repayable on demand. As of June 30, 2014 and December 31, 2013, the Company has repaid the principal portion of the loan in full and the outstanding principal balance of the promissory note is $nil.

As of June 30, 2014, $5,612 (December 31, 2013 - $5,612) in interest accrued on the above promissory notes is still outstanding to be paid.

11. MANAGEMENT OF CAPITAL

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six month period ended June 30, 2014. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserves, and accumulated deficit, which as at June 30, 2014 totaled $32,192 (December 31, 2013 - $50,196).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

12. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments
The Company designed its cash as FVTPL, which is measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of the Company's cash, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject in and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit Risk
The Company is not exposed to major credit risk attributable to customers. Additionally, the majority of the Company's cash is held with a high rated Canadian financial institution in Canada.

12. FINANCIAL INSTRUMENTS, (continued)

Interest Rate Risk

The Company invests cash surplus to its operational needs in investment-grade short term deposits certificates issued by the bank where it keeps its Canadian and U.S. Bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposits certificates. A change in the interest rate of 1% would cause interest income to change by less than $1,630 (2013 - $2,300).

Foreign Currency Risk

The Company's funds are predominantly kept in Canadian dollars, with a major Canadian financial institution. As at June 30, 2014, the Company believes that it is not exposed to major foreign currency risks.

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, 2014, the Company had current assets of $163,279 (December 31, 2013 - $174,152) and current liabilities of $131,087 (December 31, 2013 - $123,956). All of the Company's financial liabilities and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital of the Company is $32,192 (December 31, 2013 - $50,196 working capital).

13. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities, amounts payable for financing activities and payroll liabilities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	As at,	
	June 30, 2014	December 31, 2013
	$	$
1-3 months	**6,354**	-
Over 3 months	**119,121**	118,344
Total Trade and Other Payables	**$ 125,475**	$ 118,344

14. PROMISSORY NOTES PAYABLE

During the year ended December 31, 2012, the Company received various installment loans totaling CDN$105,185 through the issuance of a promissory note to Irwin Professional Corporation, a corporation controlled by the corporate secretary of the Company. The promissory note carries an interest rate of prime plus 6% calculated based on the Bank of Canada prime rate and is repayable on demand. As of June 30, 2014 and December 31, 2013, the Company has repaid the principal portion of the loan in full and the outstanding principal balance of the promissory note is $nil.

During the year ended December 31, 2012, the Company received a loan totaling USD$25,000 through the issuance of a promissory note to George Cole, the Company's CEO. The promissory note carries an interest rate of 10% and is repayable on demand. As of June 30, 2014 and December 31, 2013, the Company has repaid the principal portion of the loan in full and the outstanding principal balance of the promissory note is $nil.

As at June 30, 2014, total principal and interest owing on the above notes was $5,612 (December 31, 2013 - $5,612). The amount owing at June 30, 2014 and December 31, 2013 represents interest accrued on the loans.

15. SEGMENTED INFORMATION

Operating Segments

At June 30, 2014 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Peru. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 *'Operating Segments'*. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

Geographic Segments

Rae-Wallace was in the business of mineral exploration and production in the country of Peru. As such, management has organized the Company's reportable segments by geographic area. The Peruvian segment was responsible for mineral exploration and production activities in that country while the Canadian segment manages corporate head office activities. Information concerning Rae-Wallace's reportable segments is as follows:

15. SEGMENTED INFORMATION, (continued)

For the period/year ended,	June 30, 2014	December 31, 2013
	$	$
Net income (loss)		
North America	**(18,004)**	605,600
Peru	**-**	(23,658)
	(18,004)	581,942

As at,	June 30, 2014	December 31, 2013
Total assets		
North America	**163,279**	174,152
Peru	**-**	-
	163,279	174,152