NORTHERN LIGHTS RESOURCES CORP.

CONDENSED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

October 31, 2013

Head Office
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V6C 2G8
Canada

Registered and Records Office
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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

NORTHERN LIGHTS RESOURCES CORP.
CONDENSED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
AS AT

	October 31, 2013	April 30, 2013
ASSETS		
Current		
Cash	$ 192	$ 1,482
Receivables	-	2,671
Prepaids	-	16,420
Due from related party (Note 7)	3,000	34,500
	3,192	55,073
Equipment (Note 3)	4,153	4,614
	$ 7,345	$ 59,687
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 376,323	$ 328,529
Loans payable (Note 7)	213,945	213,945
	590,268	542,474
Shareholders' equity (deficiency)		
Share capital (Note 6)	2,674,365	2,674,365
Share-based payment reserve	138,500	138,500
Deficit	(3,395,788)	(3,295,652)
	(582,923)	(482,787)
	$ 7,345	$ 59,687

Nature and continuance of operations (Note 1)
Commitments (Note 8)

On behalf of the Board:

"Albert (Rick) Timcke" Director

"Jim Kermern" Director

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

NORTHERN LIGHTS RESOURCES CORP.
CONDENSED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by management)
(Expressed in Canadian Dollars)

	For the Three Months Ended October 31, 2013	For the Three Months Ended October 31 2012	For the Six Months Ended October 31, 2013	For the Six Months Ended October 31, 2012
EXPENSES				
Amortization	$ 230	$ 293	$ 461	$ 581
Filing fees	2,952	9,476	4,755	21,686
Gain on write-off of accounts payable	-	-	-	(29,574)
Management fees	15,000	16,500	30,000	27,000
Office and miscellaneous	520	4,575	775	7,035
Professional fees	7,933	18,058	15,433	43,423
Rent expense	150	849	375	2,950
Share-based compensation (Note 6)	-	-	-	99,200
Telecommunication	194	117	381	588
Travel and promotion	5,141	45,791	47,956	49,850
Loss and comprehensive loss for the period	$ (32,120)	$ (95,659)	$ (100,136)	$ (222,739)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	26,437,152	26,437,152	26,4337,152	25,180,820

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

NORTHERN LIGHTS RESOURCES CORP.
CONDENSED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Share-based payment reserve	Deficit	Total equity
April 30, 2012	22,934,652	$ 2,435,608	$ 20,000	$ (786,704)	$ 1,668,904
Private placement	3,502,500	350,250	-	-	350,250
Agent warrants	-	(19,300)	19,300	-	-
Share issue costs	-	(92,193)	-	-	(92,193)
Share-based compensation	-	-	99,200	-	99,200
Loss for the period	-	-	-	(222,739)	(222,739)
October 31, 2012	26,437,152	2,674,365	138,500	(1,009,443)	1,803,422
Loss for the period	-	-	-	(2,286,209)	(2,286,209)
April 30, 2013	26,437,152	2,674,365	138,500	(3,295,652)	(482,787)
Loss for the period	-	-	-	(100,136)	(100,136)
October 31, 2013	26,437,152	$ 2,674,365	$ 138,500	$ (3,395,788)	$ (582,923)

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

NORTHERN LIGHTS RESOURCES CORP.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED OCTOBER 31

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (100,136)	$ (222,739)
Non-cash items:		
Amortization	461	582
Share-based compensation	-	99,200
Gain on write-off of accounts payable	-	(29,574)
Changes in non-cash working capital items:		
Decrease in receivables	5,510	-
Decrease (increase) in prepaid expenses	16,420	(88,573)
Decrease in due from related party	31,500	-
Increase (decrease) in accounts payable and accrued liabilities	44,955	(10,714)
Net cash used in operating activities	(1,290)	(251,818)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans payable payments	-	(8,325)
Proceeds from private placement	-	350,250
Share issue costs	-	(54,982)
Net cash provided by financing activities	-	286,943
Change in cash for the period	(1,290)	35,125
Cash, beginning of period	1,482	1,814
Cash, end of period	$ 192	$ 36,939
Cash paid for interest	$ -	$ -
Cash paid for income taxes	-	-
Supplemental disclosure with respect to cash flows (non-cash transactions)		
Exploration and evaluation asset expenditures included in accounts payable	$ 95,109	$ 71,148
Agent warrants	-	19,300

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Northern Lights Uranium Corp. (the "Company") was incorporated under the laws of British Columbia on March 28, 2007. On April 22, 2008, the Company changed its name to Northern Lights Resources Corp. The Company's principal business activities include the acquisition and exploration of resource properties. On June 28, 2012, the Company completed its initial public offering ("IPO") by way of prospectus, and a listing on the Canadian National Stock Exchange ("CNSX").

The Company is in the process of looking for an acquisition of exploration and evaluation assets. Further, the Company expects its current capital resources will not be sufficient to complete its exploration plans and operations through its current operating year and will be required to raise additional funds through future equity issuances. The Company's ability to continue as a going concern is therefore dependent on its ability to raise additional funds through equity issuances. These uncertainties may cast significant doubt on the entity's ability to continue as a going concern.

These condensed 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. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, using accounting policies consistent with International Financial Reporting Standards ("IFRS").

The policies applied in these consolidated financial statements are presented below and are based on IFRS issued and outstanding as of October 31, 2013. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending April 30, 2014 could result in restatements of these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements.

The Board of Directors approved these financial statements on January 14, 2014.

Loss per share

The Company computes the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is based on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Basic loss per common share is calculated using the weighted average number of common shares outstanding during the period.

Comprehensive income

Comprehensive income (loss) reflects the net gain (loss) and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis at 20% per annum for furniture and equipment and 50% per annum for computer equipment.

Estimates and judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Significant Judgments

a. Evaluation and exploration assets

The Company assesses the activities relating to is evaluation and exploration ("E&E") properties to determine if the Company has successful completion of the E&E stage, as determined by demonstrating technical feasibility and commercial viability of extracting petroleum and natural gas. Upon successful completion of the E&E stage, any capitalized costs are either expensed or reclassified as Development and Production costs as part of Property, Plant and Equipment.

b. Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

Significant Estimates

a. Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on the estimated fair value of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Exploration and evaluation assets

Upon acquiring the legal right to explore an exploration and evaluation asset, costs related to acquisition, exploration and evaluation are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets (cont'd…)

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

Impairment

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

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

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments

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

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

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

Income taxes

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

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

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

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.

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments – recognition and measurement

Financial assets

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

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

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

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

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 equity. 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 equity and recognized through other comprehensive income (loss).

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.

The Company has classified its cash at fair value through profit and loss. The Company's receivables are classified as loans and receivables.

Financial liabilities

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

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

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities and loans payable are classified as other financial liabilities.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Newly adopted accounting policies

Accounting Standards Issued and Effective for fiscal years beginning on or after January 1, 2013

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

The adopted policy above has no material impact on its financial statements.

Recent accounting pronouncements not yet effective

The following new standards, interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning May 1, 2012 and have not been early adopted. The Company does not expect the adoption of the following standards to have a material impact on its financial statements:

Accounting Standards Issued and Effective for fiscal years beginning on or after January 1, 2015

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

3. EQUIPMENT

	Furniture and equipment	Computer equipment	Total
Cost			
Balance at April 30, 2012	$ 14,150	$ 2,631	$ 16,781
Addition	-	-	-
Balance at April 30, 2013	14,150	2,631	16,781
Addition	-	-	-
Balance at October 31, 2013	$ 14,150	$ 2,631	$ 16,781
Accumulated amortization			
Balance at April 30, 2012	$ 8,383	$ 2,631	$ 11,014
Amortization	1,153	-	1,153
Balance at April 30, 2013	9,536	2,631	12,167
Amortization	461	-	461
Balance at October 31, 2013	$ 9,997	$ 2,631	$ 12,628
Carrying amounts			
At April 30, 2012	$ 5,767	$ -	$ 5,767
At April 30, 2013	$ 4,614	$ -	$ 4,614
At October 31, 2013	$ 4,153	$ -	$ 4,153

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

Pursuant to an agreement dated March 2007, as amended, the Company acquired an option to purchase a 100% interest in certain claim blocks in the Northwest Territories in exchange for (i) reimbursement of $992,720 of staking costs (of which $403,494 was paid or credited); (ii) issuing 460,000 units per claim block retained by the Company (each unit consisting of one common share and one-half share purchase warrant); and (iii) paying $28,750 per claim block retained, per year for three years, payable quarterly in 12 equal installments.

During the year ended April 30, 2009, the Company agreed with the property vendor to retain an option to acquire only one of the 43 claim blocks, and for that would issue 460,000 units and would pay $28,750 per year for three years. In addition, the Company agreed with the property vendor to settle the $589,226 owing by the Company to the vendor by paying $354,226 over three years and issuing 2,350,000 shares at $0.10 per share.

In January 2010, a new agreement was entered into replacing earlier agreements whereby the Company has the option to acquire certain claims by paying $157,500 at $7,500 per month for 21 months commencing July 2010.

In June 2010, this agreement was amended whereby:

i) certain camp equipment held by the Company be sold to the vendor for $30,000 which will be offset against amounts owing to the vendor; and
ii) the remaining $127,500 of payments under the option agreement will be paid over 30 months commencing on completion of the IPO, being June 28, 2012 at $3,000 per month for 12 months and $5,083 per month for 18 months thereafter.

All payments and issuance of securities to the vendor were due to have occurred on the date the Company gained a listing on the CNSX. The payments and share issuances were not made, and during the year ended April 30, 2013, the Company decided to terminate its option and has therefore written-off the property expenditures to date.

Following is a summary of acquisition and exploration costs:

	Three Months Ended October 31, 2013	Year Ended April 30, 2013
Acquisition costs		
Balance, beginning of period	$ -	$ 393,806
Additions	-	36,039
Write-off	-	(429,845)
Balance, end of period	-	-
Exploration costs		
Balance, beginning of period	-	1,674,065
Write-off	-	(1,674,065)
Balance, end of period	-	-
Total costs	$ -	$ -

(Expressed in Canadian Dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2013	April 30, 2013
HST/GST payable	$ 2,839	$ -
Trade payables	320,984	321,029
Accrued liabilities	52,500	7,500
	$ 376,323	$ 328,529

6. SHARE CAPITAL

Authorized: Unlimited common shares, without par value

Shares held in escrow: 3,742,000 common shares are being held in escrow to be released over three years from June 28, 2012.

During the year ended April 30, 2013, the Company completed its listing on the CNSX and an IPO on June 28, 2012 of 3,502,500 units at a price of $0.10 per unit for total gross proceeds of $350,250. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.15 for two years expiring on June 28, 2014.

The warrants are subject to an acceleration clause whereby, if the stock price closes at or over $0.30 for a period of 20 consecutive days, the exercise period of the warrants will be shortened to 30 days after giving notice to the warrant holder.

In connection with the IPO, the Company paid a cash commission of $35,025 being 10% of the gross proceeds raised, share issuance costs of $24,750 and issued warrants to acquire 350,250 shares, with an estimated fair market value of $19,300, exercisable at $0.15 per share expiring June 28, 2014. The fair value of the finders' warrants was estimated using Black-Scholes option pricing model with a risk free rate of 1.70%, an expected life of 2 years, expected volatility of 125% and an expected dividend rate of 0.00%.

On completion of the listing 1,175,000 previously issued stock options became effective and exercisable.

Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2012	1,187,785	$ 0.15
Warrants issued	3,852,750	0.15
Warrants expired	(1,187,785)	0.15
Balance, April 30, 2013 and October 31, 2013	3,852,750	$ 0.15

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (cont'd…)

Warrants (cont'd…)

As at October 31, 2013, the following warrants were issued and outstanding:

Number of Warrants	Exercise Price	Expiry Date
3,852,750	$ 0.15	June 28, 2014

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option will not be less than the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

As at October 31, 2013, the following options were issued and outstanding:

Number of Options	Exercise Price	Expiry Date
1,175,000	$ 0.10	June 28, 2017

The fair value of the vested options granted was $Nil (2012 - $99,200) which has been recorded as share-based compensation.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and agents' warrants granted during the period ended October 31:

	2013	**2012**
Risk-free interest rate	-	1.70%
Expected life of options	-	4.31 years
Expected annualized volatility	-	125%
Expected dividend rate	-	0%

7. TRANSACTIONS WITH RELATED PARTIES

The Company defines key management as officers and directors. During the period ended October 31, 2013, the Company:

i) recorded professional fees of $5,000 (2012 - $14,500) to an accounting firm in which a former officer and director of the Company is a partner. As at October 31, 2013, the accounting firm was owed $30,110 (April 30, 2013 - $26,790) which is included in accounts payable and accrued liabilities.

ii) received non-interest bearing loans for $Nil (April 30, 2013 - $Nil) from an officer and director of the Company, and repaid $4,575 (April 30, 2013 - $4,575) of the loans. At October 31, 2013, the loans payable total was $213,945 (April 30 2013 - $213,945). The Company entered into a debt settlement agreement where the Company will start to settle the loans on June 28, 2013, being one year after completion of the Company's IPO.

7. TRANSACTIONS WITH RELATED PARTIES (cont'd…)

iii) recorded management fees of $30,000 (2012 - $27,000) for the CEO of the Company, of which $30,000 plus GST is netted against the due from related party balance

iv) recorded stock-based compensation of $Nil (2012 - $99,200) relating to options granted to officers and directors of the Company.

v) amounts due from a related party consists of $3,000 owing from the CEO of the Company.

8. COMMITMENTS

The Company has a management agreement with the President and CEO where the President and CEO will be paid $18,000 a year for three years commencing June 28, 2012. The agreement was amended, effective February 1, 2013, whereby the President and CEO will be paid $60,000 a year. If the agreement is terminated for any reason other than for cause, the President and CEO is entitled to one year's salary.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has applied a three-level hierarchy to reflect the significance of the inputs used in making fair value measurements. The three levels of fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and loans payables. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) Currency risk

The Company operates in Canada and is not subject to significant currency risk.

b) Credit risk

Credit risk is risk of financial loss to the Company if the counterparty to a financial statement fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds non-interest bearing debt.

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

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Price risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of commodities. The Company monitors these prices to determine the appropriate course of action to be taken.

10. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. 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 and exploration of exploration and evaluation assets. 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 properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. 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. The Company did not change its approach to capital management during the period ended October 31, 2013.

11. SEGMENTED INFORMATION

The Company currently operates in one business segment, being the exploration of exploration and evaluation assets in Canada.