SULTAN MINERALS INC.

(an exploration stage company)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sultan Minerals Inc.

Report on the financial statements

We have audited the accompanying financial statements of Sultan Minerals Inc., which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sultan Minerals Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada | *"Morgan LLP"*

April 16, 2014 | Chartered Accountants

SULTAN MINERALS INC.
(an exploration stage company)
Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2013	2012
Assets		
Current assets		
Cash	**$ 32,689**	$ –
Short-term investments (Note 6)	**52,500**	363,000
Receivables	**28,889**	30,670
Prepaid expenses	**8,305**	14,106
Total current assets	**122,383**	407,776
Exploration and evaluation assets (Note 5)	**7,004,403**	8,715,249
Investments (Note 7)	**31**	70
Equipment	**–**	453
Credit card deposit (Note 8)	**17,250**	17,250
Reclamation deposits	**36,120**	21,120
Total assets	**$ 7,180,187**	$ 9,161,918
Liabilities and Equity		
Current liabilities		
Cheques written in excess of funds on deposit	**$ –**	$ 7,450
Accounts payable and accrued liabilities (Note 9)	**107,381**	78,477
Accounts payable to related parties (Note 11)	**91,000**	–
Deposit received (Note 5(b))	**50,000**	–
Loan from related party (Note 11)	**15,000**	–
Total liabilities	**263,381**	85,927
Equity		
Share capital (Note 10)	**22,861,534**	22,861,534
Warrants reserve (Note 10)	**429,049**	429,049
Share-based payments reserve	**3,505,692**	3,504,469
Accumulated other comprehensive loss	**(3,886)**	(3,847)
Deficit	**(19,875,583)**	(17,715,214)
Total equity	**6,916,806**	9,075,991
Total liabilities and equity	**$ 7,180,187**	$ 9,161,918

Going concern (Note 2)

Approved on behalf of the Board of Directors:

/s/ "*Arthur G. Troup*"
Arthur G. Troup, Director

/s/ "*Robin Merrifield*"
Robin Merrifield, Director

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

SULTAN MINERALS INC.

(an exploration stage company)
Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Years ended December 31, 2013	2012
Expenses		
Depreciation	**$ 453**	$ 1,415
Interest and other (recoveries)	**(253)**	(4,376)
Legal, accounting and audit	**52,564**	78,499
Management fees (Note 11)	**6,000**	30,000
Office and administration (Note 11)	**109,006**	118,107
Salaries and benefits (Note 11)	**183,855**	186,946
Shareholder communications (Note 11)	**104,307**	124,658
Share-based compensation	**1,223**	196,810
Travel and conferences	**1,280**	4,484
Total expenses	**458,435**	736,543
Loss before other income (expenses)	**(458,435)**	(736,543)
Write-down of exploration and evaluation assets (Note 5)	**(1,554,434)**	–
Unrealized loss on short-term investments (Note 6)	**(147,500)**	(30,000)
Net loss for the year	**(2,160,369)**	(766,543)
Other comprehensive loss		
Unrealized loss on investments (Note 7)	**(39)**	(126)
Comprehensive loss for the year	**$ (2,160,408)**	$ (766,669)
Loss per share, basic and diluted	**$ (0.02)**	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	**134,771,918**	134,319,732

SULTAN MINERALS INC.

(an exploration stage company)
Statements of Changes in Equity
Years ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Common Shares Without Par Value						
	Shares	Amount	Warrants Reserve	Share-based Payments Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance, December 31, 2011	130,559,418	$ 22,719,474	$ 368,616	$ 3,307,659	$ (3,721)	$ (16,948,671)	$ 9,443,357
Private placement, net of share issuance cost	4,000,000	126,245	66,748	–	–	–	192,993
Agent's warrants exercise	100,000	11,315	(6,315)	–	–	–	5,000
Shares issued for mineral property interests							
Garnet Lead-Zinc Property	100,000	4,000	–	–	–	–	4,000
Daylight Claim Group	12,500	500	–	–	–	–	500
Stock options granted	–	–	–	196,810	–	–	196,810
Other comprehensive loss	–	–	–	–	(126)	–	(126)
Net loss for the year	–	–	–	–	–	(766,543)	(766,543)
Balance, December 31, 2012	134,771,918	22,861,534	429,049	3,504,469	(3,847)	(17,715,214)	9,075,991
Stock options granted	–	–	–	1,223	–	–	1,223
Other comprehensive loss	–	–	–	–	(39)	–	(39)
Net loss for the year	–	–	–	–	–	(2,160,369)	(2,160,369)
Balance, December 31, 2013	**134,771,918**	**$ 22,861,534**	**$ 429,049**	**$ 3,505,692**	**$ (3,886)**	**$ (19,875,583)**	**$ 6,916,806**

SULTAN MINERALS INC.
(an exploration stage company)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended December 31, 2013	2012
Operating Activities		
Net loss for the year	**$ (2,160,369)**	$ (766,543)
Items not involving cash:		
Depreciation	**453**	1,415
Share-based compensation	**1,223**	196,810
Write-down of exploration and evaluation assets	**1,554,434**	-
Unrealized loss on short-term investments	**147,500**	30,000
Changes in non-cash operating working capital		
Receivables	**24,945**	26,485
Prepaid expenses	**5,801**	2,260
Accounts payable and accrued liabilities	**(11,095)**	(16,970)
Accounts payable to related parties	**91,000**	(36,489)
Cash used in operating activities	**(346,108)**	(563,032)
Investing Activities		
Mineral property exploration and evaluation costs	**(46,753)**	(48,681)
Mineral property option payments received	**200,000**	375,000
Short-term investments redeemed	**183,000**	-
Short-term investments purchased	**-**	(118,000)
Mineral exploration tax credits received	**-**	169,202
Investment in reclamation bonds	**(15,000)**	-
Deposit received	**50,000**	-
Cash provided by investing activities	**371,247**	377,521
Financing Activities		
Proceeds from share issuances	**-**	197,993
Loan from related party	**15,000**	-
Cash provided by financing activities	**15,000**	197,993
Increase in cash during the year	**40,139**	12,482
Cheques written in excess of funds on deposit, beginning of year	**(7,450)**	(19,932)
Cash (cheques written in excess of funds on deposit), end of year	**$ 32,689**	$ (7,450)
Supplemental information		
Shares issued for mineral property interests	**$ -**	$ 4,500
Shares received from option proceeds	**$ 20,000**	$ 210,000
Interest paid	**$ -**	$ 1,129
Interest received	**$ 827**	$ 5,505
Income tax paid	**$ -**	$ -

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

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Sultan Minerals Inc. (the "Company"), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol SUL. The address of the Company's corporate office and its principal place of business is 1066 West Hastings Street, Suite 2000, Vancouver, British Columbia, Canada.

The Company is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties in Canada. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The amounts shown as mineral properties and related capitalized exploration costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issuance by the Board of Directors on April 16, 2014.

b) Going Concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for the next fiscal year. The Company has incurred losses since its inception, had a working capital deficiency of $140,998 and an accumulated deficit of $19,875,583 at December 31, 2013, which has been funded primarily by issuance of shares. The Company's continuing operations and underlying value and recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interest or other interests. The Company has been successful in the past in raising funds from its shareholders and creditors and plans to raise funds from issuing shares and/or from investments in its mineral property interest agreements, but there is no assurance that it will be able to continue to do so in the future. These factors may cast significant doubt on the use of the going concern basis of accounting.

2. BASIS OF PRESENTATION (Continued)

c) Basis of Measurement, Estimates, and Significant Judgments

The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included.

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Elements of these financial statements subject to material estimation uncertainty include:

i) Fair Value Measurements

Management has estimated the fair value of financial instruments and receivables, for which there are no active markets. The fair value estimates are based on the best available information and experience of management. Future events or changes in circumstances may materially impact these estimates used in valuing assets and liabilities at year end.

ii) Accrued Liabilities

The Company has applied judgment in recognizing accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

iii) Valuation of Stock Options and Warrants

Management has estimated the fair value of stock options granted and warrants issued in private placements based on the Black-Scholes option pricing model. Stock-based compensation in respect of stock options granted during the period is a non-cash expense. Option pricing models require the input of highly subjective assumptions including the expected price and volatility of the Company's stock. Changes in these subjective input assumptions can materially affect the fair value estimate of the Company's stock options granted and warrants issued during the year.

Elements of these financial statements subject to significant judgment include:

Significant judgments about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) going concern assessment;
ii) consideration of exploration and evaluation asset impairment criteria;
iii) impairment of investments;
iv) recovery of receivables;
v) accrued liabilities estimated;
vi) the fair value model and the inputs used in the valuation of share-based payments; and
vii) deferred income tax asset valuation allowances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash includes cash and short-term money market investments that are readily convertible to cash with original maturities of 90 days or less from the original date of acquisition. Interest from cash is recorded on an accrual basis. The Company has designated cash as fair value through profit or loss. All gains and losses are recognized in income in the period in which they arise.

b) Short-term Investments

Short-term investments are classified as fair value through profit or loss and recorded at fair value with realized and unrealized gains and losses recognized in income. All guaranteed investment certificates (“GICs”) have original maturity dates ranging from 91 days to 1 year from acquisition.

c) Mineral Exploration and Evaluation Expenditures

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the accounts upon payment.

Option payments received are treated as a reduction of the carrying value of the related mineral property until the Company’s option and/or royalty payments received are in excess of costs incurred and then are recognized in income.

All expenditures related to the cost of exploration and evaluation of mineral properties including acquisition costs for interests in mineral claims are classified and capitalized as intangible assets until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned or determined to be impaired.

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

d) Impairment of Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Impairment of Assets (Continued)

Equipment and exploration and evaluation assets are regularly tested for recoverability or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment of an exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

e) Government Assistance and Tax Credits

Any federal or provincial tax credits received by the Company, with respect to exploration or evaluation work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which the credits related. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

f) Investments

Long-term investments are classified as available-for-sale, and are carried at quoted market value, where applicable, or at an estimate of fair value. Resulting unrealized gains net of applicable future income taxes, or losses, are reflected in other comprehensive income while realized gains, net of income taxes, or losses are recognized in income.

g) Equipment and Depreciation

Equipment is recorded at cost. Depreciation is recorded using a straight-line method based on the estimated future lives of the assets at rates ranging from two to five years. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

h) Income Taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

j) Share Capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted price on the TSX-V on the date the shares are issued unless the fair value of goods or services received is determinable.

k) Loss per Common Share

Basic loss per common share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

l) Share-based Payments

The Company records all share-based payments at their fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the granted date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to the Company's reserve accounts. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

m) Flow-through Shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability, which is reversed into the statement of operations within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. All transactions related to financial instruments are recorded on a trade date basis.

4. ADOPTION OF NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's financial statements for the current or prior years presented:

IFRS 10 – Consolidated Financial Statements
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 – Joint Arrangements
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

IFRS 12 – Disclosure of Interests in Other Entities
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

IAS 27 – Separate Financial Statements
As a result of the issuance of the new consolidation suite of standards, IAS 27 *Separate Financial Statements* has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 – Investments in Associates and Joint Ventures
As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and now provides the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 is applied by all entities that are investors with joint control of, or significant influence over, an investee.

4. ADOPTION OF NEW ACCOUNTING STANDARDS AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

IAS 1 – Presentation of Financial Statements
In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether or not they may be recycled to profit or loss in future periods.

IFRIC 20 – Production Stripping Costs
In October 2011, the IASB issued IFRIC 20 Stripping Costs, which requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved.

Future IFRS standards and interpretations – A number of new standards, and amendments to standards and interpretations are not yet effective for the year ended December 31, 2013 and have not been applied in preparing these financial statements.

The following standards will be effective for annual periods beginning on or after January 1, 2014:

IAS 32 – Financial Instruments: Presentation
In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 – *Impairment of Assets* – In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

The following standards will be effective for annual periods beginning on or after January 1, 2017:

IFRS 9 – Financial Instruments
In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments* that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

Management does not expect any significant impact on the Company's financial statements from the adoption of these new standards other than additional note disclosures.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	TOTAL 2013
Acquisition costs					
As at December 31, 2012	$ 40,091	$ 687,669	$ -	$ 1	**$ 727,761**
Incurred during the year	-	53,712	-	-	**53,712**
Write-down of exploration and evaluation assets	-	(741,381)	-	(1)	**(741,382)**
As at December 31, 2013	40,091	-	-	-	**40,091**
Exploration and evaluation costs					
Incurred during the year					
Rent and administration	4,620	28,421	-	-	**33,041**
Mineral exploration tax credit received	(7,963)	(15,201)	-	-	**(23,164)**
Option proceeds received	(220,000)	-	-	-	**(220,000)**
Write-down of exploration and evaluation assets	-	(786,205)	(26,708)	(140)	**(813,053)**
	(223,343)	(772,985)	(26,708)	(140)	**(1,023,176)**
As at December 31, 2012	3,187,655	4,772,985	26,708	140	**7,987,488**
As at December 31, 2013	2,964,312	4,000,000	-	-	**6,964,312**
Balance, December 31, 2013	$ 3,004,403	$ 4,000,000	$ -	$ -	**$7,004,403**

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	TOTAL 2012
Acquisition costs					
As at December 31, 2011	$ 535,841	$ 696,447	$ -	$ 1	$ 1,232,289
Incurred during the year	4,250	4,000	-	-	8,250
Option proceeds	(500,000)	(12,778)	-	-	(512,778)
As at December 31, 2012	40,091	687,669	-	1	727,761
Exploration and evaluation costs					
Incurred during the year					
Geological and geophysical	-	462	-	-	462
Site activities	17,248	42,685	-	-	59,933
Mineral exploration tax credit received	-	(169,202)	-	-	(169,202)
Option proceeds received	(110,000)	-	-	-	(110,000)
	(92,752)	(126,055)	-	-	(218,807)
As at December 31, 2011	3,280,407	4,899,040	26,708	140	8,206,295
As at December 31, 2012	3,187,655	4,772,985	26,708	140	7,987,488
Balance, December 31, 2012	$ 3,227,746	$ 5,460,654	$ 26,708	$ 141	$ 8,715,249

5. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Kena Property, Ymir, British Columbia, Canada

The Kena Property is comprised of the original Kena claims and additional properties under option. The properties are contiguous. Kena property is located near the community of Ymir in southeastern British Columbia.

Kena Claims

The Company holds 100% of the original Kena Property claims. The property is subject to a 3.0% net smelter returns royalty ("NSR") on gold and silver and 1.5% on other metals. The Company has the right to purchase 50.0% of the NSR for the greater of 7,000 ounces of gold or $2,000,000 and must issue an additional 100,000 common shares on commencement of commercial production.

Tough Nut Claim Group

The Company holds 100% in three Tough Nut Claim Group claims, located on the north end of the Kena Property. The claims are subject to a 3.0% NSR from gold and silver. The Company has the right to purchase 66.67% of the NSR from the optionors for $2,000,000 at any time prior to commencement of commercial production.

Great Western Claim Group

The Company holds 100% of the Great Western claim group, consisting of 3 claim units contiguous to the Kena property. The Company must issue 200,000 common shares to the property vendors on receipt of a positive feasibility study. The property is subject to a 3.0% NSR from production of gold and silver and 1.5% from production of other metals. The Company has the right to purchase 66.67% of the NSR for $1,000,000 on commencement of commercial production.

Starlight Claim Group

The Company holds 100% of 4 claim units, known as the Starlight Claim Group, consisting of 3 crown grants and one mineral claim contiguous with the Kena Property. The property is subject to a 1.0% NSR from production of gold and silver and other metals. The Company has the right to purchase the NSR for $1,000,000 on commencement of commercial production.

Daylight Claim Group

The Company holds 100% of the Daylight Claim Group, consisting of 8 crown grants. To exercise the option, the Company made total cash payments of $60,000 and issued 200,000 common shares. In addition, the agreement provides for the issuance of an additional 200,000 common shares to the optionors upon completion of a positive feasibility study recommending commercial production on the property. The properties are subject to royalties payable to the optionors of a 3.0% NSR from production of gold and silver and 1.5% NSR from the production of other metals. The Company has the right to reduce the NSR to 1.0% from the production of gold and silver and 0.5% from the production of other metals by a payment of $1,000,000 on or prior to the commencement of commercial production.

Option Agreement with Altair Gold Inc. (formerly Altair Ventures Inc.)

On December 30, 2011, the Company entered into an option Letter Agreement with Altair Gold Inc. ("Altair"), which was amended on December 28, 2012, June 30, 2013, and December 3, 2013. Under the amended terms, Altair has an option to earn a 60% interest in 7,000 hectares of mineral claims that comprise the Kena and Tough Nut portions of the Company's Kena Gold-Copper Property (the "Project") in British Columbia by completing $7,500,000 in Project related exploration expenditures over six years. The Altair Option has a term of six years commencing on December 30, 2011 (the "Effective Date").

5. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Kena Property, Ymir, British Columbia, Canada (Continued)

Option Agreement with Altair Gold Inc. (formerly Altair Ventures Inc.) (Continued)

To exercise the Option and earn its (60%) interest in the Project, Altair will:

i) make the following cash option payments to the Company:

(A) within 5 business days of receiving the TSX-V acceptance, $195,000 (received);
(B) within six months from the Effective Date, an additional $200,000 (received);
(C) by July 21, 2013, an additional $50,000 (received);
(D) by September 15, 2013, an additional $150,000 (received);
(E) by April 30, 2014, an additional $200,000;
(F) within thirty months from the Effective Date, an additional $300,000;
(G) within forty-two months from the Effective Date, an additional $300,000;
(H) within fifty-four months from the Effective Date, an additional $400,000; and
(I) within sixty-six months from the Effective Date, an additional $600,000;

for total cash option payments of $2,400,000 including $5,000 received on signing of Letter Agreement;

ii) issue common shares of Altair to the Company as follows:

(A) within 5 business days of receiving the TSX-V acceptance, 500,000 shares (received);
(B) within six months from the Effective Date, an additional 500,000 shares (received);
(C) within eighteen months from the Effective Date, an additional 500,000 shares (received);
(D) within thirty months from the Effective Date, an additional 500,000 shares;
(E) within forty-two months from the Effective Date, an additional 500,000 shares;
(F) within fifty-four months from the Effective Date, an additional 500,000 shares; and
(G) within sixty-six months from the Effective Date, an additional 666,667 shares;

for a total of 3,666,667 shares; and

iii) incur exploration expenditures as follows:

(A) within twelve months from the Effective Date, $1,350,000 (incurred);
(B) within thirty-six months from the Effective Date, an additional $650,000;
(C) within forty-eight months from the Effective Date, an additional $1,000,000;
(D) within sixty months from the Effective Date, an additional $2,000,000; and
(E) within seventy-two months from the Effective Date, an additional $2,500,000;

for total exploration expenditures of $7,500,000.

After Altair has earned its 60% interest in the Project, Altair may elect to extend the option (the “First Option Extension Notice”) and earn a 70% interest in the Project by completing a Feasibility Report within 72 months following the Effective Date. If Altair completes a Feasibility Report within 72 months of the Effective Date, then Altair may elect to earn an additional 5% interest in the Project (the “Second Option Extension Notice”), making Altair’s aggregate interest in the Project 75% by electing to continue funding all of the Project development expenditures up to the achievement of Commercial Production from the Project.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Kena Property, Ymir, British Columbia, Canada (Continued)

Option Agreement with Altair Gold Inc. (formerly Altair Ventures Inc.) (Continued)

In addition to the other payments provided for in the agreement, Altair will make bonus payments to the Company as follows:

(A) If, at the end of 51 months following the Effective Date, Altair has elected not to give the First Option Extension Notice, and the Parties have then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off, then Altair will pay a one-time lump sum $2.0 million Reported Resource Bonus to the Company.

(B) If, Altair elects to give the First Option Extension Notice, then at the end of 76 months following the Effective Date, Altair will pay a Reported Resource Bonus to the Company equal to the greater of:

i) $5.00 per ounce of probable and proven mineral reserves on the Project, determined at a 0.3 gram/tonne cut-off; or

ii) a one-time lump sum amount of $2.0 million, provided that the Parties have by then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off.

As at December 31, 2013, $830,000 in cumulative option payments from Altair were deducted from the acquisition and exploration costs for the Kena and Toughnut portions of the Company's Kena Property.

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada

The Company holds a 100% interest in the Jersey Claim Group located near Salmo, British Columbia. The property is comprised of the original 28 crown granted mineral claims, four 2-post claims and 80 mineral units acquired by option in 1993 and several additional properties acquired by staking or by option. Additional claims forming part of the properties include the Tungsten King Prospect consisting of 14 crown-granted mineral claims, the Truman Hill and Leroy North properties consisting of 17 mineral units, the Summit Gold Property consisting of 4 mineral units and 1 reverted crown grant, the Jumbo 2 and Boncher crown grants, the Invincible Tungsten Mine Tenure Number 2345, the Victory Tungsten Property consisting of 6 reverted crown grants, the Aspen Silver Mine comprised of 7 mineral claims, and approximately 10,000 hectares of adjacent staked mineral tenures.

The Jersey property is subject to a 3.0% NSR that can be reduced to 1.5% by making payments of $500,000 and issuing 50,000 common shares. Annual advance royalty payments of $50,000 were to commence in October 2000. The agreement was amended in October 2000, 2004, 2009, and May 2009 extending the commencement of these royalty payments to October 20, 2013.

The first annual royalty payment was due on October 20, 2013. The Company paid $10,000 in November 2013, and the remaining $40,000 in January 2014.

The Truman Hill and Leroy north properties are subject to a NSR of 1.5% of which 50% can be purchased by issuing 25,000 shares of the Company. The Summit Gold Property is subject to a 2.0% NSR, which the Company has the right to purchase for $500,000.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada (Continued)

In May 2006, the Company entered into a purchase agreement to acquire 100% of the rights, title and interest in the surface rights to 700 acres of land over the South and East portions of the Jersey Mine for an aggregate value of $200,000 to be paid in cash and shares over 36 months. In November 2006, the Company acquired the surface rights to an adjacent 200 acres of land that included the West portion of the Jersey Mine and all access tunnels for $100,000. In May 2007, the Company purchased 100% of the rights, title and interest for the surface rights over an adjacent 150 acres of land that included the historic Emerald Mill site for $50,000 and 150,000 common shares. In August 2007, the Company purchased 100% of the rights, title and interest in the surface rights to 22 acres of land over the historic underground crusher for $18,100 and 30,000 shares. These acquisition costs are included in mineral property costs for Jersey-Emerald.

On November 8, 2013, the Company entered into an option agreement with Margaux Resources Ltd. ("Margaux") to option its 100% interest in the Jersey and Emerald Properties (excluding the Garnet, HB and HB2 Lead-Zinc Property) for total proceeds of $4,000,000 over the next three years. The Company received a $50,000 deposit. As at December 31, 2013, the agreement has not closed and is subject to TSX-V approval. Subsequent to year-end, the Company received an additional $450,000 deposit and TSX-V approval (Note 15).

In connection with the anticipated sale of the property, the Company recorded an impairment of $1,361,655 for the difference between the expected recoverable amount and the carrying value of the property.

Garnet, HB and HB2 Lead-Zinc Property

In September 2009, the Company entered into an agreement to acquire a 100% interest in the Garnet Lead-Zinc Property, comprised of five mineral claims, Tenure Numbers 544860, 544861, 607011, 607013 and 607015, located approximately five kilometers south of Salmo, British Columbia, Canada. The agreement included the adjacent HB and HB2 claims, Tenure Numbers 533727 and 693188 acquired separately for $25,000 and 200,000 shares. Under the terms of the agreement, the Company has an option to earn a 100% interest in the combined property by making additional cash payments of $75,000 ($15,000 paid) and issuing 500,000 common shares (400,000 issued) to the optionors over four years.

Upon making the cash payments and associated share issuances, the Company will acquire 100% right, title and interest in the property subject only to a 3.0% NSR, payable to the optionors and a further 200,000 common shares due on commencement of commercial production. The Company may, at its discretion, have the exclusive right to reduce the NSR to 1.0% by making a one-time payment of $1,000,000 to the optionors exercisable within 90 days after commencement of commercial production. If at any time either of the optionors wishes to sell or assign this interest in the NSR in the property the optionors agree to give to the Company a 30-day right of first purchase to acquire such interest provided that the optionors shall not thereafter offer their NSR to a third party on terms more favorable than those offered to the Company.

During the year ended December 31, 2012, the Company issued 100,000 common shares of the Company with a fair value of $4,000 in relation to acquiring 100% interest in the Garnet Lead-Zinc Property. During the same year, the Company deferred a payment of $20,000 in cash to June 2013. The Company was required to make a final payment of $40,000 and issue 100,000 shares to the property vendors by November 2013. However, the Company decided to abandon the property and as a result, $36,500 in capitalized acquisition costs and $129,431 in capitalized exploration costs were written-off at December 31, 2013.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

c) McLeese Lake Property, British Columbia, Canada

During the year ended December 31, 2013, the Company wrote off its interest in the McLeese Lake Property as it has no exploration programs planned.

d) Stephens Lake Property, Manitoba, Canada

The Company is in a joint venture with ValGold Resources Ltd. and Agave Silver Corp. (formerly Cream Minerals Ltd.) (the "Companies"). The Companies have 75% of the Trout Claim Group, which are internal to the claims forming the Stephens Lake Property. Under the terms of the Trout Claim Group agreement, the Companies each made cash payments of $36,667 and issued 66,667 common shares to the optionor over a 36-month period from July 22, 2004. During the year ended December 31, 2013, the Company wrote off its interest in the Stephens Lake Property as it has no exploration programs planned.

6. SHORT-TERM INVESTMENTS

Short-term investments are summarized as follows:

	Number of Shares	Historical Cost	Fair Value December 31, 2013	Fair Value December 31, 2012
Altair Gold Inc. (Note 5 (a))	1,500,000	$ 230,000	**$ 52,500**	$ 180,000
GICs	-	-	**-**	183,000
Total Investments		$ 230,000	**$ 52,500**	$ 363,000

These investments are classified as fair value though profit or loss and recorded at fair value with realized and unrealized gains and losses recognized in income.

7. INVESTMENTS

	Number of Shares	Book Value December 31, 2013	Fair Value December 31, 2013	Fair Value December 31, 2012
Emgold Mining Corporation (Note 11 (c))	1,565	$ 3,913	**$ 31**	$ 70

As at December 31, 2013, investments in available-for-sale securities consist of marketable securities which had a market value of $31 (2012 - $70). The carrying amount of these securities are subject to revaluation on a mark-to-market basis at the end of each reporting period, and the increases or decreases arising on revaluation are recorded in Accumulated Other Comprehensive Loss ("AOCL"), a component of equity.

8. CREDIT CARD DEPOSIT

The amount of $17,250 (2012 - $17,250) represents a three-year guaranteed investment certificate with interest at prime minus 2.05%, held by the bank as security for the Company's credit card usage and has been classified as restricted cash.

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are comprised of:

	December 31, 2013	December 31, 2012
Accounts payable	**$ 51,381**	$ 7,983
Accrued liabilities	**56,000**	70,494
	$ 107,381	$ 78,477

10. SHARE CAPITAL

a) Authorized:

Unlimited number of common shares without par value.

b) Issued and Outstanding:

See Statements of Changes in Equity.

On February 3, 2012, the Company completed a non-brokered private placement of 4,000,000 units (the "units") at a price of $0.05 per unit, for gross proceeds of $200,000. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each whole warrant is exercisable into one common share for a period of 24 months from the date of issuance at an exercise price of $0.10 per share. Officers and directors of the Company have participated in this private placement by purchasing a total of 1,640,000 units. A finder's fee of $7,007 was paid. The warrants were valued using the Black-Scholes pricing model using the following assumptions: risk free interest rate – 0.98%; a volatility factor of 106%; and an expected life of 2 years. The value allocated to the warrants was $66,748 or $0.02 per warrant.

c) Stock Options

The Company has a stock option plan which allows for the grant of options to purchase up to 20,390,173 common shares. The following table summarizes information about the stock options outstanding at December 31, 2013:

Weighted Average Exercise Price	Number Outstanding at December 31, 2013	Weighted Average Remaining Contractual Life
$0.10	4,430,000	0.5 years
$0.10	500,000	0.9 years
$0.10	6,425,000	3.8 years
$0.10	11,355,000	2.4 years

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

c) Stock Options (Continued)

A summary of the changes in stock options for the years ended December 31, 2013 and 2012 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2011	9,962,000	$0.22
Granted	6,425,000	$0.10
Cancelled/forfeited	(1,064,000)	$0.23
Expired	(3,868,000)	$0.37
Balance, December 31, 2012	11,455,000	$0.10
Expired	(100,000)	$0.29
Balance, December 31, 2013	**11,355,000**	**$0.10**
Balance vested, December 31, 2013	11,355,000	$0.10

No stock options were granted to officers, directors, and employees of the Company during the year ended December 31, 2013.

A summary of the fair values of stock options granted during the year ended December 31, 2012, estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions, is as follows:

	2012
Risk free interest rate	1.39%
Expected life (years)	5.0 years
Expected volatility	109%
Weighted average fair value per option grant	$0.03

The value allocated to the stock options was $196,810.

The Black-Scholes model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded. The Black-Scholes model also requires an estimate of expected volatility. The Company uses historical volatility rates of the Company to arrive at an estimate of expected volatility.

d) Share Purchase Warrants

As at December 31, 2013, the following share purchase warrants issued in connection with financings made by private placements and short-form offerings were outstanding:

Number of Warrants	Exercise Price	Expiry Date
4,000,000*	$0.10	February 3, 2014
523,800	$0.05	June 30, 2014
15,538,399	$0.12	June 30, 2014
20,062,199	$0.11	

*Subsequent to year-end, these warrants expired unexercised.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

d) Share Purchase Warrants (Continued)

The following table summarizes changes in the number of warrants outstanding:

	Number Of Warrants	Weighted Average Exercise Price
Balance, December 31, 2011	20,824,699	$0.13
Issued	4,000,000	$0.10
Exercised	(100,000)	$0.05
Expired	(4,662,500)	$0.15
Balance, December 31, 2013 and 2012	**20,062,199**	**$0.11**

e) Shareholder Rights Plan

The Company's Board of Directors adopted a Shareholder Rights Plan on August 12, 2013.

The Shareholder Rights Plan has been designed to protect shareholders from unfair, abusive or coercive take-over strategies including the acquisition of control of the Company by a bidder in a transaction or series of transactions that may not treat all shareholders fairly nor afford all shareholders an equal opportunity to share in the premium paid upon an acquisition of control. The Shareholder Rights Plan was adopted to provide the Board with sufficient time, in the event of a public take-over bid or tender offer for the common shares, to pursue alternatives which could enhance shareholder value.

This Shareholder Rights Plan is not being adopted in response to any proposal to acquire control of the Company.

The Rights will not, however, be triggered by a "Permitted Bid", which is defined as a bid which is outstanding for a minimum of 60 days made to all of the shareholders of the Company for all of their common shares and, subject to other specified conditions, is accepted by a majority of independent shareholders (as detailed in the Rights Plan).

11. RELATED PARTY TRANSACTIONS AND BALANCES

	Years Ended December 31,	
Services rendered:	**2013**	2012
Quorum Management and Administrative Services Inc. (a)	**$ -**	$ 2,897
Lang Mining Corporation (b)	**6,000**	30,000
Directors' fees (included in office and administration)	**22,000**	38,762
Salaries (e)	**180,000**	180,000
Shareholder communications (e)	**72,000**	72,000
Share-based compensation (e)	**-**	179,118

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	Years Ended December 31,	
Balances payable to (d):	**2013**	2012
Lang Mining Corporation (b)	**$ 6,000**	$ -
Directors' fees	**22,000**	-
Salaries and shareholder communications (e)	**63,000**	-
	$ 91,000	$ -

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties as follows:

a) Management, administrative, geological and other services were provided by Quorum Management and Administrative Services Inc. ("Quorum") at market rates. The contract was terminated in 2012.

b) Lang Mining Corporation ("Lang Mining") is a private company controlled by the chairman of the Company. Lang Mining receives a management fee of $500 per month (2012 – $2,500 per month) for the services of Frank A. Lang, an officer and director of the Company.

c) The Company's investments include shares in a listed company with a common director.

d) Balances payable to related parties are included in accounts payable to related parties on the statement of financial position. These amounts are non-interest bearing and are due on demand.

e) Key management personnel compensation.

On June 17, 2013, the Company entered into a loan agreement with a director in the amount of $15,000. As at December 31, 2013, $15,000 (2012 - $Nil) of the loan payable to the director was outstanding. The loan is non-interest bearing and is due on demand.

12. INCOME TAXES

The following table reconciles the amount of income tax recovery on application of the combined statutory Canadian federal and provincial income tax rates:

	December 31,	
	2013	2012
Combined statutory tax rate	**26%**	25%
Income tax recovery at combined statutory rate	**$ (556,000)**	$ (192,000)
Non-deductible expenses	**19,000**	51,000
Change in estimates and other	**14,000**	(245,000)
Difference between current and future rate	**(158,000)**	–
Tax benefits not recognized	**681,000**	386,000
Tax recovery for the year	**$ –**	$ –

(Expressed in Canadian Dollars)

12. INCOME TAXES (Continued)

The Company's unrecognized deductible temporary differences and unused tax losses are attributable to the following items:

	December 31, 2013	2012
Non-capital losses	**$ 1,781,000**	$ 1,570,000
Capital losses	**4,000**	4,000
Temporary difference in value for exploration and evaluation assets	**2,629,000**	2,163,000
Short-term investments	**23,000**	4,000
Other deductible temporary differences	**216,000**	231,000
Unrecognized deferred tax assets	**(4,653,000)**	(3,972,000)
	$ -	$ -

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax assets have been recognized for accounting purposes.

The Company has Canadian non-capital losses carried forward of approximately $6,852,000 (2012 - $6,282,000) that may be available for tax purposes. The losses expire as follows:

Year	$
2014	540,000
2015	489,000
2026	626,000
2027	659,000
2028	853,000
2029	988,000
2030	856,000
2031	751,000
2032	563,000
2033	527,000
	6,852,000

The Company has resource pools of approximately $17,114,000 (2012 - $17,366,000) available to offset future taxable income. The tax benefit of these amounts is available to be carried forward indefinitely. The Company also has investment tax credits totalling approximately $251,000 (2012 - $267,000).

13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2013, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2012, are shown in the table below:

	December 31, 2013		December 31, 2012	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Cash	$ 32,689	$ 32,689	$ -	$ -
Short-term investments	52,500	52,500	363,000	363,000
Investments	31	31	70	70
Credit card deposit	17,250	17,250	17,250	17,250
Reclamation deposits	36,120	36,120	21,120	21,120
Financial liabilities				
Cheques written in excess of funds on deposit	-	-	7,450	7,450
Accounts payable	51,381	51,381	7,983	7,983
Accounts payable to related party	91,000	91,000	-	-
Deposit received	50,000	50,000	-	-
Loan from related party	15,000	15,000	-	-

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

i) Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

ii) Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly, such as quoted prices for similar assets or liabilities in active markets, or indirectly, such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 - Applies to assets or liabilities for which there are unobservable market data.

The fair values of the Company's financial instruments measured at December 31, 2013, constitute Level 1 measurements for its cash, short-term investments, investments, credit card deposit and reclamation deposits within the fair value hierarchy.

The Company recognized interest income during the year ended December 31, 2013, totaling $827 (2012 - $5,505). This is primarily interest income from the Company's short-term investments. The balance represents interest income from all sources.

Credit Risk

Those financial assets that potentially subject the Company to credit risk are from any investments in term deposits and any receivables. The Company has increased its focus on credit risk given the impact of the current economic climate. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where any term deposits are held. The Company's maximum exposure to credit risk is equal to the carrying value of any terms deposits and receivables.

13. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 15, in normal circumstances. The Company's financial liabilities are comprised of its accounts payable and amounts due to related parties, the contractual maturities of which at December 31, 2013 and 2012, are summarized as follows:

	December 31, 2013	2012
Accounts payable with contractual maturities –		
Within 90 days or less	**$ 51,381**	$ 7,983
In later than 90 days, not later than one year	**-**	-
Loan from related party with contractual maturities –		
Within 90 days or less	**-**	-
In later than 90 days, not later than one year	**15,000**	-

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments, and unfavourable markets conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in markets prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments.

The Company's ability to raise capital to fund exploration or evaluation activities is subject to risk associated with fluctuations in the market prices of gold, copper, zinc, lead, molybdenum and tungsten, and the outlook for these metals. The Company's ability to raise capital is affected by the prices of commodities that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for these metals have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

Interest Rate Risk

At December 31, 2013, the Company has no significant exposure to interest rate risk through its financial instruments.

Currency Risk

Fluctuations in United States dollars would not significantly impact the operations and the values of its assets and shareholders' equity at this time. If the Company were to go into production, the Company would be subject to more foreign currency risk from fluctuations in the Canadian dollar relative to the United States dollar, due to metals prices and their denomination in United States dollars.

14. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests in British Columbia and to maintain a flexible capital structure which will optimize the costs of capital.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk. The Company currently has a working capital deficiency of $140,998 and must rely on equity financings, or forms of joint venture or other types of financing to fund operations and to continue exploration and evaluation work and to meet its administrative overhead costs in future years (see Note 2(b)).

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities allowing the Company to withdraw funds at intervals needed for the expected timing of expenditures in its operations.

15. SUBSEQUENT EVENT

On April 1, 2014, the Company announced TSX-V approval of the option agreement dated November 8, 2013 with Margaux (Note 5(b)). Under the terms of the agreement, Margaux has the exclusive option to acquire a 100% working interest in the Jersey and Emerald Properties for total proceeds of $4,000,000, paid in instalments of $1,250,000 in 2014 ($500,000 paid), $1,250,000 in 2015 and $1,500,000 in 2016; an exploration expenditure commitment of $2,000,000 by November 8, 2016; and a 1.5% net smelter royalty.