DISCOVERY VENTURES INC.

(An exploration stage company)

Financial Statements

Years ended December 31, 2013 and 2012

As expressed in Canadian dollars

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 29, 2014

(signed)

Kenneth C Phillippe
CFO

(signed)

Akash Patel
President, CEO

Independent Auditors' Report

To the Shareholders of Discovery Ventures Inc.:

We have audited the accompanying financial statements of Discovery Ventures Inc. (the "Company"), 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 years then ended, and notes comprising 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.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Discovery Ventures Inc. as at December 31, 2013 and 2012, and the results of its operations 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 1 in the financial statements which discloses 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.

MNP LLP
Chartered Accountants

Vancouver, Canada
April 29, 2014

DISCOVERY VENTURES INC.
(An exploration stage company)

Statements of Financial Position
As expressed in Canadian dollars

As at	December 31 2013	December 31 2012
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	196,826	33,952
Short term investments (Note 2)	500,181	2,021,849
Sales tax receivables	69,614	97,723
Mining exploration tax credit receivable	85,987	27,000
Prepaid expenses	18,641	49,500
Total current assets	871,249	2,230,024
Investment in shares of Forty Two Metals Inc. (Note 5)	800,000	-
Equipment, net (Note 3)	596,987	395,530
Exploration and evaluation assets (Note 4)	1,619,069	1,026,460
Total assets	3,887,305	3,652,014
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	67,945	39,582
Total current liabilities	67,945	39,582
SHAREHOLDERS' EQUITY		
Share capital	7,113,141	5,663,762
Contributed surplus	821,769	710,891
Deficit	(4,115,550)	(2,762,221)
Total shareholders' equity	3,819,360	3,612,432
Total liabilities and shareholders' equity	3,887,305	3,652,014

On behalf of the Board:

"Kenneth C Phillippe"
Director

"Akash Patel"
Director

The accompanying notes are an integral part of these financial statements

DISCOVERY VENTURES INC.
(An exploration stage company)

Statements of Operations and Comprehensive Loss
As expressed in Canadian dollars

	Year ended December 31 2013	Year ended December 31 2012
	$	$
General and Administrative Expenses		
Amortization	550	236
Bank charges	624	434
Consulting	245,790	187,717
Filing and transfer agent fees	63,360	37,162
Investor relations	15,000	-
Management and administration	98,900	22,350
Office and miscellaneous	9,995	3,363
Professional fees	290,113	88,971
Project investigation	-	35,893
Rent	30,000	5,000
Share based payments (Note 6d)	42,132	50,148
Shareholder communications	70,123	38,597
Strategic planning	49,500	4,500
Travel and promotion	20,010	3,608
Website maintenance	59,050	5,540
	(995,147)	(483,519)
Other income		
Interest income	14,272	2,672
Write-off of exploration and evaluation assets	(372,454)	-
	(358,182)	2,672
Net loss and comprehensive loss for the year	(1,353,329)	(480,847)
Basic and diluted loss per share	(0.04)	(0.02)
**Weighted average number of common shares - ** basic and diluted	35,285,675	21,578,843

The accompanying notes are an integral part of these financial statements

DISCOVERY VENTURES INC.
(An exploration stage company)

Statements of Cash Flows
As expressed in Canadian dollars

	Year ended December 31 2013	Year ended December 31 2012
	$	$
Cash flows from (used in)		
Operating activities		
Loss for the year	(1,353,329)	(480,847)
Adjustments:		
Amortization	550	236
Share based payments	42,132	50,148
Write-off exploration and evaluation assets	372,454	-
Accrued interest income	1,658	(1,577)
	(936,535)	(432,040)
Changes in non-cash working capital:		
Sales tax receivables	28,109	(77,262)
Mining exploration tax credit receivable	11,223	-
Prepaid expenses	30,859	800
Accounts payable and accrued liabilities	16,679	12,870
	(849,665)	(495,632)
Investing activities		
Short term investments	1,520,010	(1,817,807)
Purchase of equipment	(202,008)	(394,978)
Investment in shares of Forty Two Metals Inc.	(800,000)	-
Exploration and evaluation assets expenditures	(460,588)	(226,457)
	57,414	(2,439,242)
Financing activities		
Issuance of common shares for cash (net)	955,125	2,867,869
Increase (decrease) in cash and cash equivalents	162,874	(67,005)
Cash and cash equivalents, beginning of year	33,952	100,957
Cash and cash equivalents, end of year	196,826	33,952

The accompanying notes are an integral part of these financial statements

DISCOVERY VENTURES INC.
(An exploration stage company)

Statement of Changes in Equity
As expressed in Canadian dollars

	Share capital		Contributed		
	Number	Amount	Surplus	Deficit	Total
		$	$	$	$
Balance, December 31, 2011	19,799,152	2,807,066	557,570	(2,281,374)	1,083,262
Shares issued for cash pursuant to the exercise of warrants					
- at a price of $0.20 per share	3,442,597	688,519	-	-	688,519
Shares issued for cash pursuant to brokered private placements					
- at a price of $0.25 per unit	9,568,000	2,392,000	-	-	2,392,000
- cash commissions paid	-	(212,650)	-	-	(212,650)
- agent's warrants issued as commission	-	(103,173)	103,173	-	-
Share-based payments – for stock options granted	-	-	50,148	-	50,148
Shares issued for mineral properties at $0.23 per share	400,000	92,000	-	-	92,000
Net loss and comprehensive loss	-	-	-	(480,847)	(480,847)
Balance, December 31, 2012	33,209,749	5,663,762	710,891	(2,762,221)	3,612,432
Shares issued for cash pursuant to the exercise of stock options					
- at a price of $0.235 per share (Note 6b)	50,000	19,696	(7,946)	-	11,750
Shares issued for mineral properties at $0.39 per share (Note 4 and 6b)	400,000	156,000	-	-	156,000
Shares issued for mineral properties at $0.335 per share (Note 4 and 6b)	1,000,000	335,000	-	-	335,000
Shares issued for mineral properties at $0.18 per share (Note 4 and 6b)	400,000	72,000	-	-	72,000
Shares issued for cash pursuant to brokered private placements					
- at a price of $0.21 per unit (Note 6b)	4,779,000	1,003,590	-	-	1 ,003,590
- attributable to warrants (Note 6b)	-	(47,790)	47,790	-	-
- cash commissions paid (Note 6b)	-	(60,215)	-	-	(60,215)
- agent's warrants issued as commission (Note 6b)	-	(28,902)	28,902	-	-
Share-based payments – for stock options granted (Note 6d)	-	-	42,132	-	42,132
Net loss and comprehensive loss	-	-	-	(1,353,329)	(1,353,329)
Balance, December 31, 2013	39,838,749	7,113,141	821,769	(4,115,550)	3,819,360

The accompanying notes are an integral part of these financial statements

As expressed in Canadian dollars

1. Nature and Continuance of Operations

The Company was incorporated on October 13, 1999 under the laws of British Columbia under the name 593960 British Columbia Ltd. and was inactive during the fiscal years 1999 to 2007. Commencing in the fiscal year 2008, the Company was reactivated with the purpose of assessing exploration opportunities in western Canada. On February 28, 2008 the Company changed its name to Discovery Ventures Inc. to better reflect a change in the focus of its principal business to the exploration of mineral interests.

The head office and principal address of the Company is located at 900 – 570 Granville Street, Vancouver, BC, V6C 3P1.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and exploration costs is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

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

The Company emphasises that attention should be drawn to 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. These financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The recoverability of capitalized costs is uncertain and dependent upon projects achieving commercial production or sale. The ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future.

	December 31 2013	December 31 2012
Deficit	$ (4,115,550)	$ (2,762,221)
Working capital	$ 803,304	$ 2,190,442

2. Significant Accounting Policies

Basis of presentation

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

2. Significant Accounting Policies (cont'd…)

Basis of presentation (cont'd…)

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

Approval of financial statements

The financial statements were approved by the Board of Directors of the Company on April 29, 2014.

Use of judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure.

Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant areas where management's estimates and judgments have been applied include:

<u>Judgments</u>

i) Asset Impairments
The application of the Company's accounting policy for impairment on equipment and exploration and evaluation assets requires judgment in determining if the facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company would carry out an impairment test at the asset or group of assets, which requires estimate and judgement in determining the recoverable amount with reference to the fair value of the assets or group of assets less costs to sell or the value in use calculation. Where recoverable amount is determined to be less than the carrying amount, an impairment loss may arise. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

ii) Exploration and evaluation expenditures
The application of the Company's accounting policy for exploration and evaluation expenditures capitalized requires judgment in determining which expenditures are recognized as exploration and evaluation assets and applying the policy consistently. In making this determination, the Company considers the degree to which the expenditure can be associated with finding specific mineral resources.

2. Significant Accounting Policies (cont'd…)

Use of judgments, estimates and assumptions (cont'd…)

iii) Provision
The Company applied judgement when recognizing the provisions for restoration, rehabilitation and environmental obligations.

iv) Going concern
The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

v) Recovery of deferred tax assets
Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operations could limit the ability of the Company to obtain tax deductions in future periods.

vi) Depreciation
Depreciation of mining equipment begins when it is available for use, which is defined as occurring when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. Judgment is required in determining whether the mining equipment is available for use at each reporting date.

Judgment, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Cash and cash equivalents

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at December 31, 2013 and 2012.

Short term investments

Short term investment, which is fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, is recorded at fair value. As at December 31, 2013, the Company has short term investments of $500,181 due on December 20, 2014 with an annual yield of 1.2%. (2012 - $2,021,849, of which $1,501,529 due on November 30, 2013 with an annual yield of $1.2%, $500,181 is due on December 20, 2013 with an annual yield of $1.2%, and $20,139 due on May 9, 2013 with an annual yield of 1.0%)

2. Significant Accounting Policies (cont'd…)

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Equipment is depreciated to write off the cost of assets to operations using declining balance method over their estimated useful life at the following annual rates:

Computer Equipment	- 30%
Mining Equipment	- 30%

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral interests. Accordingly, once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of exploration and evaluation assets and crediting all revenues received against the cost of the related interests. Such costs, include, but are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent up on the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognized as income any costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Upon transfer of exploration and evaluation costs into mine development, all subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines.

Mining Exploration Tax Credit

Mining exploration tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining exploration tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

Impairment of non-financial assets

The Company reviews and evaluates its property, including exploration and evaluation assets, and property and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

2. Significant Accounting Policies (cont'd…)

Impairment of non-financial assets (cont'd…)

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. 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. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

Government grants
Revenue from government grants related to the acquisition and development of exploration and evaluation assets is credited against the cost of the related asset when there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received.

Interest income
Revenue is recognized as interest accrues using the effective interest rate, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Financial Instruments

Financial assets
The Company's financial instruments consist of cash and cash equivalents, short term investments, investment in shares of Forty Two Metals Inc. and accounts payable and accrued liabilities. Cash and cash equivalents, short term investments and investment in shares of Forty Two Metals Inc. are classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, short term investments and accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity. Investment in shares of Forty Two Metals Inc. is measured at cost as the fair value cannot be reliably measured.

2. Significant Accounting Policies (cont'd…)

Financial Instruments (cont'd…)

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 balance sheet at fair value with changes in fair value recognized in the income statement.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payment 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 in the statements of operations and comprehensive 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 in the statements of operations and comprehensive loss.

All financial assets, except 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 objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied for each category of financial assets described above to determine impairment.

<u>Financial liabilities</u>
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 statements of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive loss.

*Other financial liabilitie*s – This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

2. Significant Accounting Policies (cont'd…)

Foreign currencies

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

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the relevant transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Translation gains and losses are included in income or expense of the period in which they occur. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Share based payments

The Company's Stock Option Plan allows directors, officers and consultants to acquire shares of the Company in exchange for the options exercised. The fair value of share options granted to employees is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

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

The compensation cost of stock options granted to consultant is initially measured at fair value of the awards at the grant date and periodically remeasured to fair value until the consultant's performance is complete, and recognized over the periods during which the consultant become unconditionally entitled to the options. The compensation cost is charged to income with a corresponding increase to share-based payment reserve.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Warrants that are issued as payment for agency fee or other transactions costs are counted for as share-based payments.

2. Significant Accounting Policies (cont'd…)

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statements of operations and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Deferred taxes are the taxes expected to be payable or recoverable between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Segment information

The Company currently conducts substantially all of its operations in Canada in one business segment.

Change in accounting policies

The following new or amended standards, and their resulting consequential amendments, were applied for the first time in the current year:

- **IAS 1 Presentation of Financial Statements**
  The amendments to IAS 1 introduced a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never by reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial results.

- **IFRS 7 Financial Instruments: Disclosure**
  The amendment to IFRS 7 introduced disclosure on financial assets that were offset in accordance with IAS 32 and master netting or similar arrangements. The revised IFRS 7 had no impact on current year and prior year disclosures or on the Company's financial results.

2. Significant Accounting Policies (cont'd…)

Change in accounting policies (cont'd…)

- **IFRS 13 Fair Value Measurement**
  IFRS 13 improves consistency and reduces complexity of fair value measurements by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. In accordance with the transitional provisions, IFRS 13 has been applied prospectively from January 1, 2013. The adoption of IFRS 13 did not have an impact on the measurement of the Company's assets and liabilities, nor resulted in additional disclosures.

New accounting standards and interpretations

The Company has not yet applied the following new standards, interpretations or amendments to standards that have been issued as at December 31, 2013 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations and intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material, unless otherwise stated.

- **IFRS 2 Share-based payment**
  The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

- **IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation**
  Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

- **IFRS 9 Financial instruments**
  IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

As expressed in Canadian dollars

2. Significant Accounting Policies (cont'd…)

New accounting standards and interpretations (cont'd…)

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The mandatory effective date of January 1, 2015 has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

- **IAS 24 Related party disclosures**
  The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

- **IAS 36 Impairment of assets**
  The amendments to IAS 36, issued in May 2013, require:
  - Disclosure of the recoverable amount of impaired assets; and
  - Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

  The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

3. Equipment

Cost	Computer equipment	Mining equipment	Total
December 31, 2011	$ 1,606	$ -	$ 1,606
Additions	-	394,978	394,978
December 31, 2012	1,606	394,978	396,584
Additions	909	201,099	202,008
December 31, 2013	$ 2,515	$ 596,077	$ 598,592

Accumulated amortization	Computer equipment	Mining equipment	Total
December 31, 2011	$ 818	$ -	$ 818
Additions	236	-	236
December 31, 2012	1,054	-	1,054
Additions	551	-	551
December 31, 2013	$ 1,605	$ -	$ 1,605

Carrying amount	Computer equipment	Mining equipment	Total
December 31, 2012	$ 552	$ 394,978 *	$ 395,530
December 31, 2013	$ 910	$ 596,077 *	$ 596,987

* Mining equipment was not available for use as at December 31, 2012 and 2013 and no amortization has been provided.

As expressed in Canadian dollars

4. Exploration and Evaluation Assets

	December 31 2013	December 31 2012
	$	$
Acquisition costs		
Rabbitt Mine Property	198,042	198,042
Bralorne Mineral Property	281,662	265,000
Big Creek Property	-	92,000
Willa Deposit	647,291	102,607
Balance, end of year	1,126,995	657,649
Exploration costs		
Rabbitt Mine Property	254,827	254,827
Bralorne Mineral Property	51,935	51,935
Big Creek Property	-	62,049
Willa Deposit	85,312	-
Balance, end of year	392,074	368,811
Net Smelter Royalty advance payments		
Willa Deposit	100,000	-
Balance, end of year	100,000	-
Total Acquisition and Exploration	1,619,069	1,026,460

Rabbitt Mine Property, Similkameen Mining Division, British Columbia

As at April 28, 2008, the Company signed an option agreement, whereby it may acquire a 100% undivided interest in 4 mineral claims situated in the Similkameen Mining Division, British Columbia in exchange for an immediate cash payment of $15,000 (paid) and the following future consideration.

a. $20,000 (paid) and 200,000 of the Company's common shares (issued) no later than 15 days after the date the Company's shares are listed, posted and called for trading on the TSX Venture Exchange (TSX initial trading date – October 30, 2009).
b. $25,000 (paid) no later than October 30, 2010.
c. $25,000 (paid) no later than October 30, 2011.
d. $30,000 (paid) no later than October 30, 2012.

The Agreement is subject to 2% Net Smelter Return Royalty payable by the Company to the Optionor. The Company has the option to purchase the 2% Net Smelter Return Royalty at a purchase price of $1,000,000 per percentage point during the five year period commencing from that date upon which the Property is put into commercial production.

As at May 27, 2008, the Company signed an option agreement, whereby it may acquire a 100% undivided interest in 15 mineral claims situated in the Similkameen Mining Division, British Columbia in exchange for an immediate cash payment of $5,000 (paid) and the following future consideration.

a. $10,000 (paid) no later than 15 days after the date the Company's shares are listed, posted and called for trading on the TSX Venture Exchange (TSX initial trading date – October 30, 2009).
b. $10,000 (paid) no later than October 30, 2010.
c. $10,000 (paid) no later than October 30, 2011.
d. $15,000 (paid) no later than October 30, 2012.

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Rabbitt Mine Property, Similkameen Mining Division, British Columbia (cont'd...)

The Agreement is subject to 2% Net Smelter Return Royalty payable by the Company to the Optionor. The Company has the option to purchase the 2% Net Smelter Return Royalty at a purchase price of $1,000,000 per percentage point during the five year period commencing from that date upon which the Property is put into commercial production.

Acquisition costs	**December 31, 2013**	**December 31, 2012**
	$	$
Balance, beginning of year	198,042	153,042
Additions during the year		
Property option payments	-	45,000
Balance, end of year	198,042	198,042

Exploration costs	**December 31, 2013**	**December 31, 2012**
	$	$
Balance, beginning of year	254,827	272,526
Additions during the year		
Mining tax credit	-	(17,699)
Balance, end of year	254,827	254,827

Bralorne Mineral Property, Lillooet Mining Division, British Columbia

The Company acquired 30 claims located in the Lillooet Mining Division, British Columbia in consideration for $15,000 (paid) and 1,000,000 shares (issued), subject to a 2% Net Smelter Return Royalty. The Company has a further option to purchase one-half of the Net Smelter Return Royalty for $1.5 million.

Acquisition costs	**December 31, 2013**	**December 31, 2012**
	$	$
Balance, beginning of year	265,000	265,000
Additions during the year	16,662*	-
Balance, end of year	281,662	265,000

Exploration costs	**December 31, 2013**	**December 31, 2012**
	$	$
Balance, beginning and end of year	51,935	51,935

* Relates to file assessment work to keep the claims in good standing incurred as part of mineral property acquisition cost.

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Big Creek Property, British Columbia

Pursuant to an agreement dated March 30, 2012 the Company has been granted an exclusive right and option to earn a 50% interest in the Big Creek property. The Company will make payments totaling $250,000 in expenditures and 1,200,000 common shares of the Company on or before July 1, 2014 as follows:

(i) Issue shares:
  (a) 400,000 common shares in the capital of the Company on or before five days from the date of the TSX Venture Exchange ("TSXV") approval (the "Approval Date") (issued);
  (b) 400,000 common shares in the capital of the Company on the date that is six months from the Approval Date (issued on January 8, 2013 at $0.39 per share); and
  (c) 400,000 common shares in the capital of the Company on the first anniversary of the Approval Date (issued on August 14, 2013 at $0.18 per share);

(ii) Expend $250,000 in exploration expenditures on the Property as follows:
  (a) $75,000 (expended) on or before July 1, 2012;
  (b) $87,500 on or before July 1, 2013; and
  (c) $87,500 on or before July 1, 2014;

The Company has entered into a Service Agreement dated May 10, 2012, with a Contractor to conduct an exploration program on the Big Creek Property, pursuant to which it has paid an initial sum of $37,500 upon signing, representing 50% of the work program, with a further $30,000 (paid) to be paid on completion of seven days of field work, and a final payment of $7,500 (paid) on presentation of the final Project Report.

Due to the focus of the Company on other mineral properties, during the fiscal year ended December 31, 2013 management terminated the agreement and abandoned the Big Creek Property. Accordingly, the aggregate costs related to the abandoned exploration and evaluation assets in the amount of $372,454 were charged to operations.

Acquisition costs		**Year ended December 31, 2013**	**Year ended December 31, 2012**
		$	$
Balance, beginning of year		92,000	-
Additions during the year			
Property option payments	– for shares	228,000	92,000
		320,000	92,000
Write-off on abandonment		(320,000)	-
Balance, end of year		-	92,000

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Big Creek Property, British Columbia (cont'd…)

Exploration costs	**Year ended December 31, 2013**	**Year ended December 31, 2012**
	$	$
Balance, beginning of year	62,049	-
Additions during the year		
Assays	-	397
Geological consulting	855	-
Geophysical survey	-	54,637
Equipment rental	-	1,321
Food and lodging	-	5,341
Project management	-	3,708
Prospecting/Sampling	(2,867)	10,500
Transportation	-	1,964
Mining tax credit	(7,583)	(15,819)
	(9,595)	62,049
Write-off on abandonment	(52,454)	-
Balance, end of year	-	62,049

Willa Deposit, British Columbia

Pursuant to an option agreement dated November 13, 2012 (as amended September 24, 2013, January 13, 2014 and further amended on February 27, 2014), the Company has agreed to acquire up to an 80% interest in the Willa property, consisting of 5,328 hectares located in the Slocan Mining Division, British Columbia, subject to a 2.5% NSR. The Company will make payments consisting of $3,600,000 and 21,600,000 common shares of the Company and incur expenditures totaling $1,500,000 on or before February 20, 2016 as follows:

(i) Issue shares and cash payments:

- (a) $50,000 upon execution of the Option Agreement (paid);
- (b) $150,000 and 1,000,000 common shares in the capital of the Company on or before five days from the date of the TSX Venture Exchange ("TSXV") approval (the "Approval Date" being February 19, 2013) (paid and shares were issued on February 19, 2013);
- (c) $350,000 and 4,000,000 common shares in the capital of the Company on the first anniversary of the Approval Date (further amended on January 13, 2014 to $100,000 on January 15, 2014 (paid subsequent to December 31, 2013) and the balance of $250,000 to be paid and 4,000,000 common shares to be issued on or before August 19, 2014);
- (d) 3,600,000 common shares in the capital of the Company upon TSXV acceptance for filing of amended agreement dated February 27, 2014;
- (e) $1,000,000 and 6,000,000 common shares in the capital of the Company on the second anniversary of the Approval Date; and
- (f) $1,450,000 and 7,000,000 common shares in the capital of the Company on the third anniversary of the Approval Date.
- (g) $600,000 from net profits of production of the Willa property after deduction of any royalties and expenses and after repayment of any outstanding production financing.

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Willa Deposit, British Columbia (cont'd...)

(i) Expend $1,500,000 in exploration expenditures on the Property as follows:

(a) $500,000 on or before August 19, 2014;
(b) $500,000 on or before the second anniversary of the Approval Date; and
(c) $500,000 on or before the third anniversary of the Approval Date.

Until the date that the Property commences Commercial Production, the Company shall be responsible to pay minimum royalties advance payments due as follows:

(a) $100,000 on or before September 28, 2013 (paid);
(b) $400,000 on or before September 28, 2014;
(c) $250,000 on or before September 28, 2015;
(d) $250,000 on or before September 28, 2015;
(e) $250,000 on or before September 28th of each subsequent year until commencement of Commercial Production

Acquisition costs		**Year ended December 31, 2013**	**Year ended December 31, 2012**
		$	$
Balance, beginning of year		102,607	-
Additions during the year			
Property option payments	– for cash	150,000	50,000
	– for shares	335,000	-
Additional acquisition costs		59,684*	52,607*
		544,684	102,607
Balance, end of year		647,291	102,607

* Relates to geological consulting cost, management fees and filing fees incurred as part of mineral property acquisition cost.

Exploration costs	**Year ended December 31, 2013**	**Year ended December 31, 2012**
	$	$
Balance, beginning of year	-	-
Additions during the year		
Data compilation, 3D survey	4,762	-
Engineering	35,914	-
Equipment mobilization	831	-
Equipment repairs	6,759	-
Geological survey and soil sampling	54,597	-
Metallurgical consulting	3,000	-
Permitting and notice of work	3,474	
Project management	35,000	-
Travel	3,602	-
Mining tax credit	(62,627)	-
Balance, end of year	85,312	-

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Willa Deposit, British Columbia (cont'd...)

Net Smelter Royalty advance payment	**Year ended December 31, 2013**	**Year ended December 31, 2012**
	$	$
Balance, beginning of year	-	-
Additions during the year	100,000	-
Balance, end of year	100,000	-

5. Investments in share of Forty Two Metals Inc.

On November 4, 2013 (and as amended January 5, 2014 and further amended on March 6, 2014), the Company entered into a binding letter agreement with Roca Mines Inc. ("Roca") and Forty Two Metals Inc. ("Forty Two") a wholly-owned subsidiary of Roca, whereby Roca granted an exclusive option to the Company to acquire all of the issued and outstanding common shares of Forty Two. Forty Two holds, among other assets, the Max Mine which includes an underground molybdenum mine, crushing, milling and concentrating facilities, tailing storage facilities, mineral claims, mining leases, licenses and other holdings located near Trout Lake in the Revelstoke Mining Division of the Province of British Columbia.

The Company may exercise the option and acquire all of the shares of Forty Two for a total purchase price of $5,675,000, consisting of cash payments of $5,050,000 and the issuance of 2,500,000 shares of the Company at a deemed price of $0.25 per share in accordance with the following schedule:

- $50,000 payable (paid) to Roca as a no-refundable deposit upon entry into the Agreement;
- $750,000 payable to Roca within 10 days of receipt of conditional approval from the Exchange the ("Approval Date" (November 6, 2013), following which the first stage of the option will be deemed exercised and Roca will transfer 16% of the shares capital of Forty Two to the Company (paid);
- $250,000 payable to Roca on or before January 8, 2014 (paid) and $50,000 to Roca on or prior to March 6, 2014 (paid subsequent to December 31, 2013) and an additional $650,000 to Roca on or prior to March 24, 2014 (paid subsequent to December 31, 2013) (together, the "Second Payment"). The Second Payment will be used to retire certain critical payables, past wages and delinquent accounts critical to maintaining Roca, Forty Two and the Assets in good standing. Upon advance of the $250,000 Roca will transfer 5 Forty Two Shares (equal to 5% of the Forty Two Shares and 21% in aggregate) to the Company and will provide a copy of a share certificate and supporting documentation to evidence the completion of such share transfer. Upon advance of the $50,000, Roca will transfer 1 Forty Two Share (equal to 1% of the Forty Two Shares and 22% in the aggregate) to the Company and will provide a copy of a share certificate and supporting documentation to evidence the completing of such share transfer. Upon advance of the $650,000, Roca will transfer 13 Forty Two Shares (equal to 13% of the Forty Two Shares and 35% in the aggregate) to the Company and will provide a copy of a share certificate and supporting documentation to evidence the completing of such share transfer. Upon advance of the Second Payment in full, the second stage of the Option will be deemed exercised.
- $3,300,000 payable to Roca and the issuance of 2,500,000 million shares of the Company to Roca within 150 days of the Approval Date, following which the third and final stage of the option will be deemed exercised and Roca will transfer the remaining 65% of the share capital of Forty Two to the Company (100% in the aggregate).

5. Investments in share of Forty Two Metals Inc. (cont'd...)

The Company completed the first stage of the acquisition upon its payment to Roca of the $50,000 non-refundable deposit on November 4, 2013, and the subsequent payment of $750,000 on November 15, 2013. The Company paid $950,000 subsequent to December 31, 2013 towards the Second Payment.

6. Share Capital

Authorized: 100,000,000 common shares with no par value.

a. Issued and outstanding:

As at December 31, 2013 the total issued and outstanding share capital is 39,838,749 common shares (2012 - 33,209,749).

b. Transactions

Transactions for the during the year ended December 31, 2013

- The Company issued 50,000 common shares upon the exercise of stock options at $0.235 per share.
- The Company issued 400,000 common shares at $0.39 per share pursuant to the acquisition of mineral property (See Big Creek Property, Note 4).
- The Company issued 1,000,000 common shares at $0.335 per share pursuant to the acquisition of mineral property (See Willa Deposit, Note 4).
- The Company issued 400,000 common shares at $0.18 per share pursuant to the acquisition of mineral property (See Big Creek Property, Note 4).
- On November 15, 2013 the Company completed a private placement financing, pursuant to which it issued 4,779,000 units at a price of $0.21 per unit for gross proceeds of $1,003,590. Each unit consists of one common share and one share purchase warrant exercisable over 2 years, at a price of $0.35 per common share. Amount of $47,790 was allocated to the warrants under the residual value method. The securities are subject to a four month hold period that expires on March 16, 2014. In connection with the closing of the financing, the Company paid a finder`s fee of $60,215 and issued 286,740 warrants with a fair value of $28,902. Each warrant entitles the holder to purchase one additional common share on or before November 15, 2015 at a price of $0.35 per share. As the unit was issued at a price higher than the market trading price on November 15, 2013, $47,790 was allocated to contributed surplus as fair value for the warrants under the residual value method.

Transactions for the during the year ended December 31, 2012

- The Company issued 3,442,597 common shares upon the exercise of warrants at $0.20 per share.
- The Company issued 400,000 common shares at fair value of $0.23 per share pursuant to the acquisition of mineral property.
- On November 30, 2012 the Company issued 7,108,000 units and 622,600 Agent warrants, and on December 7, 2012 issued 2,460,000 units and 188,000 Agent warrants, pursuant to brokered private placements consisting of 9,568,000 units at $0.25 per unit. Each unit consists of one common share and one share purchase warrant exercisable over 5 years, at a price of $0.35 per common share in the first year, $0.40 in the second year and $0.45 per common share from the third to the fifth year. As the unit was issued at a price lower than the market trading price on November 30, 2012 and December 7, 2012, $nil was allocated to contributed surplus as fair value for the warrants under the residual value method.

As expressed in Canadian dollars

6. Share Capital (cont'd...)

c. Escrow Shares

As at December 31, 2013, the Company has nil (2012 - nil) common shares held in escrow.

d. Stock Options

A summary of stock option activity for the years is as follows:

	Number of options	Weighted-average exercise price
		$
Balance, December 31, 2011	2,530,018	0.22
Options forfeited / cancelled	(450,000)	0.18
Balance, December 31, 2012	2,080,018	0.23
Options exercised	(50,000)	0.24
Options forfeited / cancelled	(1,280,018)	0.28
Options granted and exercisable on or before August 8, 2018	500,000	0.25
Balance, December 31, 2013	1,250,000	0.18

As at December 31, 2013, the Company has the following options outstanding and exercisable:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price	Years to expiry	Expiry Date
750,000	750,000	$ 0.135	1.70	September 14, 2015
500,000	125,000	0.25	4.61	August 8, 2018
1,250,000	875,000	$ 0.15	2.86	

The Company has a stock option plan whereby 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 shares of the Company.

The Company granted 1,000,000 incentive stock options to consultants on September 14, 2010, exercisable on or before September 14, 2015 at a price of $0.135 per share where the exercise price is lower than the market price at the date of grant. 12.5% of the options vested upon TSX approval, and 12.5% every three months thereafter. During the year ended December 31, 2013, $nil (2012: $7,221) of stock based compensation was recorded and cumulatively $224,767 (December 31, 2013: $224,767) has been recorded. Nil (2012: 250,000) options were forfeited during the year ended December 31, 2013. As at December 31, 2013 and 2012, 750,000 options remain outstanding.

6. Share Capital (cont'd...)

d. Stock Options (cont'd…)

The Company granted 900,000 additional incentive stock options to directors and 630,018 additional incentive stock options to consultants on January 26, 2011, exercisable on or before January 26, 2013 at a price of $0.28 per share where the exercise price is lower than the market price at the date of grant. 25% of the options vested upon TSX approval, and 25% every six months thereafter. 250,000 options granted to a former director were forfeited during the fiscal year ended December 31, 2011. During the year ended December 31, 2013 a total of $nil (2012: $42,927) of stock based compensation costs was recorded and cumulatively $207,680 (2012: $207,680) has been recorded. As at December 31, 2013, nil (2012: 650,000) options granted to directors and nil (2012: 630,018) options granted to consultants remain outstanding. On January 26, 2013 all 1,280,018 options expired unexercised.

On November 3, 2011 the Company granted 200,000 and 50,000 incentive stock options to directors and consultants, respectively, exercisable at a price of $0.235 per share on or before November 3, 2014. The estimated fair value of the options in the amount of $39,728 was recognized as 100% of the options vested upon TSX approval. 200,000 options were cancelled as a result of director resignation during the year ended December 31, 2012. As at December 31, 2013, nil (December 31, 2012: 50,000) of these options remain outstanding.

On August 8, 2013 the Company granted 500,000 share purchase options to a consultant pursuant to an investor relations contract, exercisable on or before August 8, 2018 at a price of $0.25 per share where the exercise price is higher than the market price at the date of grant. The options shall vest over a 12 month period with 25% of the options vesting after each 3 month period. During the year ended December 31, 2013 a total of $42,132 of stock based compensation costs was recorded. As at December 31, 2013, 500,000 options granted remain outstanding and 125,000 options granted remain exercisable. The fair value of options granted during the fiscal year ended December 31, 2013 has been estimated using the Black-Scholes option pricing model, using weighted average assumptions of a risk-free interest rate of 1.8% and 1.95%, expected dividend yield of 0%, share price volatility of 108% and an expected life of the options of 5 years.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessary provide reliable measure of the far value of the Company's stock options.

e. Warrants

On October 15, 2010 the Company issued 4,999,991 units, comprising one common share and one non-transferable share purchase warrant, at a price of $0.12 per unit. Each warrant is exercisable into one common share at a price of $0.20 per share on or before October 15, 2012. As at December 31, 2011, 3,500,930 were outstanding. During the year ended December 31, 2012, 3,442,597 of these warrants were exercised and 58,333 expired. Also see Note 6b.

As expressed in Canadian dollars

6. Share Capital (cont'd...)

e. Warrants (cont'd…)

On November 30, 2012 the Company issued 7,108,000 units and 622,600 Agent warrants, and on December 7, 2012 issued 2,460,000 units and 188,000 Agent warrants, pursuant to brokered private placements consisting of 9,568,000 units at $0.25 per unit. Each unit consists of one common share and one share purchase warrant exercisable over 5 years, at a price of $0.35 per common share in the first year, $0.40 in the second year and $0.45 per common share from the third to the fifth year. As the unit was issued at a price lower than the market trading price on November 30, 2012 and December 7, 2012, $nil was allocated to contributed surplus as fair value for the warrants under the residual value method. Also see Note 6b.

On November 15, 2013 the Company completed a private placement financing, pursuant to which it has issued 4,779,000 units at a price of $0.21 per unit. Each unit consists of one common share and one share purchase warrant exercisable over 2 years, at a price of $0.35 per common share. As the unit was issued at a price higher than the market trading price on November 15, 2013, $47,790 was allocated to contributed surplus as fair value for the warrants under the residual value method. The Company also issued 286,740 Agent warrants. Also see Note 6b.

A summary of warrants activity for the years is as follows:

	Number of Warrants Exercisable	Weighted Average Exercise Price	Years to expiry	Expiry Date
Balance, December 31, 2011	3,500,930	$ 0.20		October 15, 2012
Warrants exercised	(3,442,597)	$ 0.20		October 15, 2012
Warrants expired	(58,333)	$ 0.20		October 15, 2012
Warrants issued	9,568,000	$ 0.35	3.92	November 30, 2017
Agent's warrants issued	810,600	$ 0.35	3.94	December 7, 2017
Balance, December 31, 2012	10,378,600	$ 0.35		
Warrants issued	4,779,000	$ 0.35	1.87	November 15, 2015
Agent's Warrants issued	286,740	$ 0.35	1.87	November 15, 2015
Balance, December 31, 2013	15,444,340	$ 0.35	3.25	

As at December 31, 2013, the Company has the following warrants outstanding and exercisable:

	Number of Warrants Outstanding and Exercisable	Weighted Average Exercise Price	Years to expiry	Expiry Date
Warrants issued	9,568,000	$ 0.35	3.92	November 30, 2017
Agent's warrants issued	810,600	$ 0.35	3.94	December 7, 2017
Warrants issued	4,779,000	$ 0.35	1.87	November 15, 2015
Agent's warrants issued	286,740	$ 0.35	1.87	November 15, 2015
Balance, December 31, 2013	15,444,340	$ 0.35	3.25	

7. Related Party Transactions

During the year ended December 31, 2013 the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $Nil (2012 - $7,600) to former directors and officers.

b) Paid or accrued management fees of $29,900 (2012 - $5,000) to a director and officer.

c) Included in professional fees is $40,700 (2012 - $22,000) paid to an officer and director for accounting services.

d) Included in accounts payable and accrued liabilities is $2,625 (2012 - $nil) payable to an officer and director.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related party.

8. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, investment in shares of Forty Two Metals Inc. and accounts payable and accrued liabilities. The Company has designated its cash and cash equivalents, short term investments and investment in shares of Forty Two Metals Inc. as fair value through profit or loss, which is measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, short term investments and accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity. Investment in shares of Forty Two Metals Inc. is measured at cost as the fair value cannot be reliably measured. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2013, the Company had a cash and cash equivalents and short term investments balance of $697,007 (2012 - $2,055,801) to settle current liabilities of $67,945 (2012 - $39,582). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk
The Company has cash and cash equivalents balances and no interest-bearing debt. The Company believes it has no significant interest rate risk.

8. Financial Instruments (cont'd...)

On December 31, 2013, short term investments consisted of fixed guaranteed investment certificate redeemable before maturity, which bears interest at annual variable rates of 1.2% and matures December 20, 2014. During the year ended December 31, 2013, cash and cash equivalents were not subject to any interest on bank balances. Sensitivity to a plus or minus 1% change in rates is not material to the statements of operations and comprehensive loss.

(b) Foreign currency risk
As at December 31, 2013, the Company's expenditures are in Canadian dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company does not hold balances in foreign currencies which would give rise to exposure to foreign exchange risk.

Fair value hierarchy

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For the years ended December 31, 2013 and 2012, cash and cash equivalents and short term investments are assessed to be Level 1 instruments. Investment in shares of Forty Two Metals Inc. is measured at cost as the fair value cannot be reliably measured.

9. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. As at December 31, 2013 and 2012, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There were no changes in the Company's approach to capital management during the year.

10. Commitments

See Note 4.

As expressed in Canadian dollars

11. Supplemental Disclosure With Respect To Cash Flows

There are no significant non-cash transactions during the fiscal year ended December 31, 2013.

a) 400,000 common shares issued for Big Creek Property at a fair value of $156,000.
b) 1,000,000 common shares issued for Willa Deposit at a fair value of $325,000.
c) 400,000 common shares issued for Big Creek Property at a fair value of 72,000.
d) Accrual of mining exploration tax credit receivable of $70,210.
e) Unpaid exploration and evaluation assets of $11,685.

The significant non-cash transactions during the fiscal year ended December 31, 2012 were as follows:

f) 400,000 common shares issued for mineral properties at a fair value of $92,000.

12. Income Taxes

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended December 31, 2013 and 2012:

	2013	**2012**
	$	**$**
Loss before income taxes	1,353,329	480,847
Statutory tax rate	25.75%	25%
Expected income tax (recovery)	348,528	120,212
Non-deductible items	(12,333)	(12,572)
Change in estimates	(7,083)	5,563
Change in enacted tax rate	24,816	-
Others	15,507	72,206
Change in deferred tax asset not recognized	(369,435)	(185,409)
Total income taxes expense (recovery)	-	-

The British Columbia corporate tax rate has increased during the year, resulting in an increase in the Company's combined statutory tax rate.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at December 31, 2013 and 2012 are comprised of the following:

Deferred tax liability	**2013**	**2012**
	$	**$**
Non-capital loss carry forwards	530,795	255,712
Exploration and evaluation assets	317,888	210,647
Share issuance costs	63,925	76,957
Equipment	-	(138)
Cumulative eligible capital	129	124
Deferred tax asset not recognized	(912,737)	(543,302)
Net deferred tax asset (liability)	-	-

As expressed in Canadian dollars

12. Income Taxes (cont'd...)

The Company has non capital loss carryforwards of approximately $2,041,521 (2012 - $1,022,846) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	$
2014	45
2015	45
2026	91
2027	45
2028	29,895
2029	109,681
2030	157,822
2031	184,765
2032	504,518
2033	1,054,614
Total	2,041,521

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

13. Subsequent Events

Pursuant to an amending agreement, dated January 13, 2014, the Company extended the terms of the payments with respect to the Willa Deposit, by paying $100,000 with the balance of $250,000 and the issuance of 4,000,000 shares being extended to August 19, 2014. Also see Note 4.

Pursuant to an amending agreement dated March 6, 2014, the Company extended the terms of the Second Payment to Roca, by paying $250,000 on or before January 8, 2014, and $50,000 to Roca on or prior to March 6, 2014 (paid subsequent to December 31, 2013) and an additional $650,000 to Roca on or prior to March 24, 2014 (paid subsequent to December 31, 2013). Also see Note 5.

On April 2, 2014, the Company completed a private placement of 6,024,250 units (each, a "Unit") at a price of $0.15 per Unit for gross proceeds of $903,638. Each Unit consists of one share of common share and one half of one share purchase warrant with each warrant entitling the holder to purchase one additional share at a price of $0.30 for a period of three years. The Company paid a finder's fee of $54,218 and issued warrants to purchase up to 361,455 shares on the same terms as the warrants attached in the Unit.

The Company announced that it has entered into an assignment, assumption, and framework agreement (the "Assignment Agreement") dated April 15, 2014 with 0951719 B.C. Ltd. ("Numberco") and the owners of the Willa Property (collectively, the "Optionors"). Pursuant to an option agreement dated October 5, 2012, as amended (the "Option Agreement"), the Optionors granted Numberco an option to acquire a 100% interest in the Willa Property, consisting of 5,328 hectares located in the Slocan Mining Division, British Columbia, south of the town of Silverton, B.C., subject to a 2.5% net smelter royalty (the "NSR"). Numberco, in turn, granted an equivalent option to the Company to acquire the Willa Property pursuant to an agreement dated November 13, 2012, as amended (the "Second Option Agreement"). The entry into the Assignment Agreement had the effect of restructuring the option arrangement among the Company, Numberco and the Optionors. Specifically, the changes resulted in the Company having a direct option in the Willa Property as opposed to an option of an option through Numberco.

13. Subsequent Events (cont'd...)

Highlights of the material changes from the Assignment Agreement include:

- Numberco assigned all right, title and interest in and to the Option Agreement to the Company (the "Assignment") and the Company assumed all obligations of Numberco under the Option Agreement;
- the Second Option Agreement was terminated;
- in consideration for the Assignment and the termination of the Second Option Agreement, the Company agreed to make the following payments and to issue the CW7174492.1 following number of common shares to Numberco (subject to the Company increasing its authorized capital at the Company's proposed annual and special meeting on April 30, 2014) on the following dates, which reflect the outstanding fees and share issuances previously required by the Company pursuant to the Second Option Agreement:
    - issue 3,600,000 common shares within 5 days of the effective date of the Assignment Agreement (the "Effective Date"),
    - pay $250,000 and issue 4,000,000 common shares on or prior to August 19, 2014,
    - pay $1,000,000 and issue 6,000,000 common shares on or prior to April 12, 2015,
    - pay $1,450,000 and issue 7,000,000 common shares on or prior to April 12, 2016, and
    - pay $600,000 from net profits of production of the Willa Property after deduction of any royalties and expenses (including the NSR) and after repayment of any outstanding production financing;
- in consideration for certain modifications to the Option Agreement, the Company agreed to pay $50,000 to each of the Optionors ($200,000 in the aggregate) on the earlier of 5 days of the advance of the proposed debt financing (the "Funding Date") and the date that is 60 days from the Effective Date and further agreed to accelerate the payment of an advanced royalty payable pursuant to the Option Agreement by paying $400,000 to the Optionors on the earlier of the Funding Date and September 28, 2014; and
- the Company agreed that in the event of termination of the Option Agreement, the Company will ensure that it has applied for a minimum of three years' assessment work on the Willa Property.

The Company has retained Palisade Capital Corp. ("Palisade") as an independent consultant to provide marketing services, setting up marketing teleconferences and road shows for the European, Canadian and U.S. investment community, and assisting in the distribution of news releases. In consideration for Palisade's services, the Company has agreed to pay Palisade a total fee of $70,000 for a term of 10 months commencing April 1, 2014 and ending on February 1, 2015. The Company also agreed to issue options to purchase up to 100,000 common shares of the Company at a price to be determined on the date of grant for a period of two years.