PINECREST RESOURCES LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Funds)

December 31, 2013 and 2012

February 4, 2014

Independent Auditor's Report

To the Shareholders of Pinecrest Resources Ltd.

We have audited the accompanying financial statements of Pinecrest Resources Ltd., which comprise the balance sheets as at December 31, 2013 and December 31, 2012 and the statements of changes in shareholders' equity, statements of comprehensive loss and statements of cash flows for the years then ended, and the related notes, which comprise 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 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 Pinecrest Resources Ltd. as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the Financial Statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants

Pinecrest Resources Ltd.
BALANCE SHEETS
(Expressed in Canadian Funds)
AS AT DECEMBER 31

		2013		2012
ASSETS				
Current assets				
Cash	$	90,802	$	265,540
Trade and other receivables		443		5,534
		91,245		271,074
Non-current asset				
Exploration and evaluation assets *(Note 4)*		-		450,817
	$	91,245	$	721,891
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables	$	19,183	$	37,281
Shareholders' equity				
Share capital		951,429		951,429
Share-based payments reserve		214,562		214,562
Warrants reserve		296,353		296,353
Accumulated deficit		(1,390,282)		(777,734)
		72,062		684,610
	$	91,245	$	721,891

Nature of Operations, Basis of Presentation and Going Concern *(Note 1)*

On behalf of the Board:

"Edward Farrauto" Director *"Douglas Forster"* Director

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

Pinecrest Resources Ltd.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Funds)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Common shares										
	Number		Amount		Share-based payments reserve		Warrants reserve		Accumulated deficit		Total
Balance – January 1, 2012	22,200,000	$	872,853	$	164,015	$	306,929	$	(505,985)	$	837,812
Shares issued as property option payment *(Note 4)*	400,000		48,000		-		-		-		48,000
Share-based compensation *(Note 5(a))*	-		-		50,547		-		-		50,547
Issued upon exercise of warrants *(Note 5(b))*	400,000		30,576		-		(10,576)		-		20,000
Net loss for the year	-		-		-		-		(271,749)		(271,749)
Balance – December 31, 2012	23,000,000	$	951,429	$	214,562	$	296,353	$	(777,734)	$	684,610
Balance – January 1, 2013	23,000,000	$	951,429	$	214,562	$	296,353	$	(777,734)	$	684,610
Net loss for the year	-		-		-		-		(612,548)		(612,548)
Balance – December 31, 2013	23,000,000	$	951,429	$	214,562	$	296,353	$	(1,390,282)	$	72,062

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

Pinecrest Resources Ltd.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Funds)
FOR THE YEAR ENDED DECEMBER 31

		2013		2012
EXPENSES				
Accounting and audit fees	$	20,554	$	24,687
Consultants *(Note 6)*		28,000		84,000
Legal		11,149		7,719
Management fees *(Note 6)*		50,000		90,000
Office		564		164
Shareholder relations		995		1,221
Share-based compensation		-		50,547
Transfer agent and regulatory fees		15,817		16,608
Write-off of exploration and evaluation assets *(Note 4)*		486,197		-
		613,276		274,946
OTHER INCOME				
Interest income		(728)		(3,197)
Loss and comprehensive loss for the year	$	612,548	$	271,749
Loss per share – basic and diluted	$	0.03	$	0.01
Weighted average number of shares outstanding:				
Basic and fully diluted		23,000,000		22,624,110

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

Pinecrest Resources Ltd.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Funds)
FOR THE YEAR ENDED DECEMBER 31

		2013		2012
CASH PROVIDED BY (USED IN):				
Cash flows from operating activities:				
Loss for the year	$	(612,548)	$	(271,749)
Non-cash item:				
Share-based compensation		-		50,547
Write-off of exploration and evaluation assets		486,197		-
Changes in non-cash working capital:				
Trade and other receivables		5,091		5,853
Trade and other payables		(18,099)		(51,670)
		(139,358)		(267,019)
Cash flows utilized in investing activities:				
Exploration and evaluation costs		(35,380)		(266,848)
Cash flows from financing activities:				
Cash received from warrants exercised		-		20,000
Decrease in cash		(174,738)		(513,867)
Cash – beginning of year		265,540		779,407
Cash – end of year	$	90,802	$	265,540
Supplemental disclosure on non-cash investing and financing activities				
Fair value of shares issued as option payment *(Note 4)*	$	-	$	48,000
Exploration and evaluation costs in trade payables	$	-	$	16,930

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

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN

Pinecrest Resources Ltd. ("Pinecrest or the "Company") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations* Act (British Columbia) on January 18, 2010. Pinecrest is a public company listed on the TSX Venture Exchange (TSX-V: PCR) and its head office is located at Suite 1820 – 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2. The Company engages principally in the acquisition, advancement and development of precious mineral properties. The Company has an option agreement with Kootenay Gold Inc. to acquire up to an undivided 50 percent interest in the two mineral concessions comprising the Espiritu property located in Sahuaripa, Sonora, Mexico. On April 15, 2013, the Company terminated its option agreement with Kootenay. Management is presently seeking potential precious and base metal projects for acquisition *(Note 4)*. These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") which include International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB") with the assumption that the Company 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. Historically, the Company has had operating losses and has an accumulated deficit of $1,390,282. These uncertainties plus the fact that the Company only has working capital of $72,062 cast significant doubt upon the Company's ability to continue as a going concern. The Company's continuing operations as intended are dependent upon its ability to obtain additional financing through debt or equity issuances or other available means, discover commercially viable mineral deposits, and generate profitable operations. The Company intends to raise funding during 2014, as required, to continue operations. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. These potential adjustments may be material. The Board of Directors approved the statements for issue on February 4, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Cash and cash equivalents

Cash includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Share-based payments

The Company grants stock options to certain directors and employees of the Company. Each tranche in an award is considered a separate award with its own vesting year and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting by increasing share-based payments reserve based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. The Company records proceeds from the exercise of stock options and warrants as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value. The proceeds from the issue of units is allocated between

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein, the fair value of the common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

Income taxes

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

Significant areas where management judgment is applied in these financial statements include the impairment of exploration and evaluation assets and the valuation of options and warrants (which are based upon expected useful lives and other relevant assumptions). By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Financial instruments

Financial assets

Financial assets are classified into one of four categories:

- Fair value through profit or loss ("FVTPL");
- Held-to-Maturity ("HTM");
- Loans and receivables; and
- Available for sale ("AFS").

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in the statement of comprehensive loss when incurred. FVTPL are measured at fair value, and changes are recognized in the statement of comprehensive loss.

Held to maturity ("HTM")

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 costs using the effective interest method. If there is objective evidence that the asset 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 statement of comprehensive loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company classified its financial assets which consisted of cash and cash equivalents and trade and other receivables as loans and receivables.

Available for sale ("AFS")

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 statement of comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

Fair value through profit or loss

This category comprises of derivatives, or liabilities 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 the changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities

This category includes trade and other payables which are recognized at amortized cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the Statement of Loss and Comprehensive Loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the Statement of Loss and Comprehensive Loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Currency translation

The Company finances its operations and incurs its expenditures primarily in Canadian dollars. The functional currency of the Company is the Canadian dollar, which is also the presentation currency of the financial statements. The Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for amortization which is translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation.

Exploration and evaluation costs

Once a license to explore an area has been secured or an option agreement is signed and binding, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation costs. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management reviews the carrying value of capitalized exploration costs when facts or circumstances suggest that the carrying value may not be recoverable. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction-in-progress within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

3. NEW ACCOUNTING POLICIES EFFECTIVE JANUARY 1, 2013

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions. Several other new standards and amendments came into effect on January 1, 2013; however, they do not impact the financial statements and are not anticipated to impact the Company's annual financial statements. The Company has not early adopted any other standard, interpretation or amendment in the financial statements that have been issued, but are not yet effective. The nature and impact of each new standard and amendment applicable to the Company are described below:

IAS 1 Presentation of items of other comprehensive income (Amendment)

The amendments to IAS 1 introduced a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified to profit or loss at a future point in time (e.g. net gain or loss on available-for-sale financial assets) shall be presented separately from items that will never be reclassified. The adoption of this standard did not result in any changes to the Company's financial statements.

3. NEW ACCOUNTING POLICIES EFFECTIVE JANUARY 1, 2013 (cont'd.)

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements to replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. The adoption of this standard did not result in any changes to the Company's financial statements.

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11 Joint Arrangements to replace IAS 31, Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. The focus of the standard is to reflect the rights and obligations of the parties involved in the joint arrangement, regardless of whether the joint arrangement operates through a separate legal entity. Joint arrangements that are classified as joint ventures are accounted for using the equity method of accounting. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. The adoption of this standard did not result in any changes to the Company's financial statements.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). The adoption of this standard did not result in any changes to the Company's financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required by IAS 34 for financial instruments. The Company adopted IFRS 13 on a prospective basis and has provided these disclosures in Note 8.

(Expressed in Canadian Funds)

4. EXPLORATION AND EVALUATION ASSETS

		2013		**2012**
Opening balance	$	450,817	$	119,039
Acquisition				
Shares issued as option payment		-		48,000
Exploration and evaluation				
Concession fees		32,760		38,272
Drilling		-		84,145
Management and administration		2,620		21,020
Geological		-		35,197
Professional fees		-		58
Assaying		-		33,989
Drafting and compilation		-		9,613
Mapping		-		21,992
Prospecting		-		39,392
Rock sampling		-		100
Write-down				
Write-off of exploration and evaluation assets		(486,197)		-
Ending balance	$	-	$	450,817

On July 13, 2011, the Company entered into its option agreement ("Option Agreement") with Kootenay Gold Inc. ("Kootenay"), pursuant to which Kootenay granted to the Company an option to acquire up to an undivided 50 percent interest in the two mineral concessions comprising the Espiritu property located in Sahuaripa, Sonora Mexico. The Company was the operator of the project during the term of the option. Pursuant to the terms of the Option Agreement, to earn 50 per cent in the Espiritu property, the Company was to spend a minimum of $1.0 million on exploration expenditures over a period of four years and issue up to 1,500,000 common shares over a three-year period. Details are as follows:

Deadline		**Expenditure requirement**	**Issuance of common shares**
On or before July 20, 2011	$	-	400,000(1)
On or before July 13, 2012	$	200,000(2)	400,000(1)
On or before July 13, 2013	$	200,000	400,000
On or before July 13, 2014	$	300,000	300,000
On or before July 13, 2015	$	300,000	-
	$	1,000,000	1,500,000

(1)Issued
(2)Completed

Upon exercise of the option, a joint venture between the Company and Kootenay was to be formed to further explore and, if warranted, to develop the property and equip all or a part thereof for commercial production, and to operate the property or any portion thereof as a mine.

(Expressed in Canadian Funds)

4. EXPLORATION AND EVALUATION ASSETS (cont'd.)

On July 12, 2012, the Company issued 400,000 common shares to Kootenay in accordance with the terms of the Option Agreement. The 400,000 common shares were valued at $48,000 which were based on the closing stock price on the date of issuance.

On April 15, 2013, the Company terminated its option agreement with Kootenay on the Espiritu project. During the year ended December 31, 2013, the Company wrote off all capitalized costs associated with the Espiritu project which amounts to $486,197 (2012 - $Nil).

5. SHARE CAPITAL

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value. As at December 31, 2013, 4,485,000 common shares were held in escrow under an escrow agreement. Under the escrow agreement, 10% of the escrowed common shares are released from escrow following the completion of the Qualifying Transaction and 15% will be released every six months following the initial release over a period of thirty-six months.

(a) Stock Options

A summary of the Company's stock options as at December 31, 2013 is as follows:

Exercise price	Opening	Granted /exercised	Ending	Expiry date	Remaining contractual life in years	Number of options vested
$0.05	1,480,000	-	1,480,000	June 23, 2015	1.48	1,480,000
$0.15	380,000	-	380,000	July 12, 2016	2.53	380,000
$0.19	600,000	-	600,000	September 8, 2016	2.69	600,000
$0.12	510,000	-	510,000	October 29, 2017	3.83	510,000
	2,970,000	-	2,970,000			2,970,000
	$0.10	-	$0.10	Weighted average exercise price		

On October 29, 2012, the Company granted 510,000 stock options to a director of the Company. The stock options are at an exercise price of $0.12 per share and are valid until October 29, 2017. The total fair value of the stock option compensation expense for the year is $50,547. The Company used a zero forfeiture rate in valuing the stock options that vested. The fair value of the stock options granted has been estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

	2012
Weighted average risk-free interest rate	1.35%
Weighted average expected option life	5 years
Weighted average expected stock volatility	120%
Weighted average expected dividend yield	Nil

(Expressed in Canadian Funds)

5. SHARE CAPITAL (cont'd.)

A summary of the Company's stock options as at December 31, 2012 is as follows:

Exercise price	Opening	Granted	Ending	Expiry date	Remaining contractual life in years	Number of options vested
$0.05	1,480,000	-	1,480,000	June 23, 2015	2.48	1,480,000
$0.15	380,000	-	380,000	July 12, 2016	3.53	380,000
$0.19	600,000	-	600,000	September 8, 2016	3.69	600,000
$0.12	-	510,000	510,000	October 29, 2017	4.83	510,000
	2,460,000	510,000	2,970,000			2,970,000
	$0.10	$0.12	$0.10	Weighted average exercise price		

(b) Warrants

A summary of the Company's share purchase warrants as at December 31, 2013 is as follows:

Exercise price	Opening	Issued /exercised	Ending	Expiry date	Remaining contractual life in years
$0.15	7,000,000	-	7,000,000	July 12, 2014	0.53

During the year ending December 31, 2012, a total of 400,000 share purchase warrants were exercised at $0.05 per common share. Gross proceeds received by the Company from the warrant exercise were $20,000. A summary of the Company's share purchase warrants as at December 31, 2012 is as follows:

Exercise price	Opening	Exercised	Ending	Expiry date	Remaining contractual life in years
$0.05	400,000	400,000	-	June 3, 2012	-
$0.15	7,000,000	-	7,000,000	July 12, 2014	1.53
	7,400,000	400,000	7,000,000		
	$0.14	$0.05	$0.15	Weighted average exercise price	

6. RELATED PARTY TRANSACTIONS

Key management includes the Company's senior management and members of the Board of Directors. Compensation of key management is as follows:

	2013	2012
Management fees	$ 50,000	$ 90,000
Share-based payments *(Note 5(a))*	-	50,547
	$ 50,000	$ 140,547

During the year ended December 31, 2013, the Company paid $28,000 (2012 - $84,000) for consulting services provided by Featherstone Capital Inc. ("Featherstone"), a company with directors in common.

7. CAPITAL MANAGEMENT

The Company's objectives in managing its capital resources are to safeguard the entity's ability to continue as a going concern and maximize returns to shareholders in the context of the market. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing equity issues, as necessary, based on the prevailing economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. The Company's principal source of capital is from the issuance of common shares. To meet the objectives, management monitors the Company's ongoing capital requirements against net working capital and assesses additional capital requirements on a case-by-case basis. The Company is not subject to any externally imposed capital requirements. The capital structure of the Company consists of equity attributable to common shareholders comprising of issued capital, warrants reserve, share-based payments reserve, and accumulated deficit. Refer to Note 1 of the financial statements for the Company's note disclosure on its ability to continue as a going concern.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial Instruments by Category

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. Cash is measured at fair value. Trade and other receivables and trade and other payables are the same as or approximately equal to their respective fair values due to their short-term maturity or capacity of prompt liquidation. The carrying value of financial liabilities may be less than the fair value due to the Company's liquidity position (*Note 1*).

The following provides the carrying amount and fair values of each classification of financial instrument as at December 31, 2013:

		Carrying amount		**Fair value**
Financial assets				
Loans and receivables				
Cash	$	90,802	$	90,802
Trade and other receivables	$	443	$	443
Financial liabilities				
Other financial liabilities				
Trade and other payables	$	19,183	$	19,183

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd.)

The following provides the carrying and fair values of each classification of financial instrument as at December 31, 2012:

		Carrying amount		Fair value
Financial assets				
Loans and receivables				
Cash	$	265,540	$	265,540
Trade and other receivables	$	5,534	$	5,534
Financial liabilities				
Other financial liabilities				
Trade and other payables	$	37,281	$	37,281

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient capital to meet short-term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of the Company's assets, liabilities, and cash flows. The Company's cash are held as cash deposits which are available on demand to fund the Company's short-term financial obligations. Additional information related to liquidity risk is disclosed in Note 1.

(c) Credit Risk and Concentration Risk

The Company's credit risk is primarily attributable to its cash and trade and other receivables. The risk exposure is limited to their carrying values at the balance sheet date. Cash is held as cash deposits with counterparties that carry investment grade ratings as assessed by external rating agencies. The Company does not invest in asset-backed deposits or investments. Trade and other receivables consist of input tax credits reimbursable to the Company. Concentration risk exists in cash and cash equivalents because significant balances are maintained with one financial institution. The risk is mitigated because cash is maintained with a large Canadian financial institution.

(d) Foreign Exchange Risk

Foreign exchange currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any significant foreign exchange risk exposure primarily due to the fact that the Company's expenditures are in Canadian dollars, the functional currency of the Company.

(e) Market Risks

The significant market risk to which the Company is exposed is interest rate risk. The Company's interest rate risk arises primarily from the interest earned on cash. Deposits are invested on a short-term basis to enable adequate liquidity for payment of operational and capital expenditures. The Company's other financial assets and liabilities are not subject to interest rate risk since they do not bear interest.

(Expressed in Canadian Funds)

9. INCOME TAXES

The Company has incurred non-capital losses for income tax purposes of approximately $790,246 which are subject to expire in 2030 - 2033. They may be carried forward and used to reduce taxable income of future years. Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

		2013		**2012**
Future income tax assets				
Non-capital losses	$	197,562	$	159,534
Share issuance costs		7,018		13,457
	$	204,580	$	172,991
Less: Unrecognized tax benefit		(204,580)		(172,991)
	$	-	$	-

The Company's income tax provision differs from the taxes that would be obtained by applying the statutory tax rate of 25% (2012 - 25%) and is reconciled as follows:

		2013		**2012**
Loss for the year before income taxes	$	612,548	$	271,749
Statutory Canadian corporate tax rate		25%		25%
Expected income tax recovery		(153,137)		(67,937)
Write-off of exploration and evaluation assets		121,549		-
Share-based compensation		-		12,637
Change in unrecognized tax benefit		31,588		55,300
	$	-	$	-

The Company has incurred resource related expenditures on the Espiritu property of $486,197 which may be carried forward indefinitely and used to reduce prescribed taxable income in future years. The potential future tax benefit of these expenditures has not been recognized in the accounts of the Company.

10. CHANGES IN ACCOUNTING STANDARDS NOT YET EFFECTIVE

Financial Instruments: Classification and Measurement – IFRS 9

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and derecognition of financial instruments. This standard is effective for years beginning on or after January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.