KENIEBA GOLDFIELDS LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2013 AND 2012

KENIEBA GOLDFIELDS LTD.

FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Kenieba Goldfields Ltd.

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

Management's Responsibility for the Financial Statements

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

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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Kenieba Goldfields Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

April 11, 2014

KENIEBA GOLDFIELDS LTD.
Statements of Financial Position
(Expressed in Canadian Dollars)
As of December 31,

	Note		2013		2012
ASSETS					
Current					
Cash		**$**	**36,974**	$	198,103
Receivables	4		**1,219**		12,641
Prepaid expenses	3		**-**		269
		$	**38,193**	$	211,013
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	5	**$**	**17,388**	$	24,940
Shareholders' Equity					
Share capital	6		**4,156,021**		4,156,021
Contributed surplus			**659,045**		659,045
Deficit			**(4,794,261)**		(4,628,993)
			20,805		186,073
		$	**38,193**	$	211,013

Nature of Operations and Going Concern 1

On Behalf of the Board:

"Simon Tam"	*"Craig Walker"*
Director	Director

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

KENIEBA GOLDFIELDS LTD.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the Years Ended December 31

	Note		2013		2012
EXPENSES					
Accounting, audit and legal fees	10	**$**	**63,199**	$	82,100
Bank charges			**285**		79
Consulting fees	10		**66,000**		66,000
Listing and filing fees			**11,995**		9,255
Office and general			**269**		635
Rent	10		**18,000**		18,000
Shareholder information			**2,373**		1,891
Transfer agent fees			**3,657**		4,062
Loss from operations			**(165,778)**		(182,022)
Costs recovery			**-**		10,500
Interest income			**510**		1,659
Write-off of exploration and evaluation assets	1		**-**		(460,405)
			510		(448,246)
Loss and comprehensive loss for the year		**$**	**(165,268)**	$	(630,268)
Basic and diluted loss per share		**$**	**(0.01)**	$	(0.02)
Weighted average number of common shares outstanding			**29,297,604**		29,297,604

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

KENIEBA GOLDFIELDS LTD.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at December 31, 2011	29,297,604	$ 4,156,021	$ 659,045	$ (3,998,725)	$ 816,341
Net loss for the year	-	-	-	(630,268)	(630,268)
Balance as at December 31, 2012	29,297,604	4,156,021	659,045	(4,628,993)	186,073
Net loss for the year	-	-	-	(165,268)	(165,268)
Balance as at December 31, 2013	29,297,604	$ 4,156,021	$ 659,045	$ (4,794,261)	$ 20,805

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

KENIEBA GOLDFIELDS LTD.
Statements of Cash Flows
(Expressed in Canadian Dollars)
For the Years Ended December 31

	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**$ (165,268)**	$ (630,268)
Item not affecting cash:			
Write-off of exploration and evaluation assets		**-**	460,405
Non-cash working capital items changes:			
Decrease (increase) in receivables		**11,422**	(9,519)
Decrease (increase) in prepaid expenses		**269**	(269)
Decrease in accounts payable and accrued liabilities		**(7,552)**	(43,739)
Net cash used in operating activities		**(161,129)**	(223,390)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on exploration and evaluation assets		**-**	(12,220)
Net cash used in investing activities		**-**	(12,220)
Change in cash for the year		**(161,129)**	(235,610)
Cash, beginning of year		**198,103**	433,713
Cash, end of year		**$ 36,974**	$ 198,103
Supplementary Cash Flow Information	9		

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

1. Nature of Operations and Going Concern

Nature of Operations

Kenieba Goldfields Ltd. (the "Company") was incorporated under the laws of Ontario on November 21, 1995, and continued into the province of British Columbia on November 17, 2006. The Company is primarily engaged in the acquisition and development of exploration and evaluation assets. The Company is considered to be in the exploration stage. The Company is listed on the TSX Venture Exchange trading under the symbol KEN.V.

During the year ended December 31, 2012 the Company wrote-off all exploration and evaluation expenditures on its Mali Gold properties in West Africa due to political instability in Mali.

The address of the Company's corporate office and principal place of business is 3467 Commercial Street, British Columbia, Canada V5N 4E8.

Going Concern

The Company's financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. Certain conditions and events cast significant doubt on the validity of this assumption. For the year ended December 31, 2013, the Company reported a loss of $165,268 (2012: $630,268) and as at that date had an accumulated deficit of $4,794,261 (2012: $4,628,993). As of December 31, 2013, the Company has a working capital of $20,805 (2012: $186,073). While in the past, the Company has been successful in obtaining funding from equity financings, option agreements, loans or through other arrangements, there is no assurance that these initiatives will be successful in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Significant Accounting Policies

a) Statement of compliance

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

The accounting policies applied in these financial statements are based on IFRS issued as of April 11, 2014, the date the Board of Directors approved these statements.

b) Basis of Presentation

These financial statements were prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments, which are measured at fair value.

2. Significant Accounting Policies – *continued*

c) Critical Accounting Estimates, Judgments and Uncertainties

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

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

Share-based payments

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted and warrants issued. Under this model, the Company must estimate the term, volatility and if applicable, the forfeiture rate of options granted and warrants issued.

Impairment of Non-Financial Assets

The Company reviews and evaluates its property, including exploration and evaluation assets 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.

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 or 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.

Valuation of Shares Issued in Non-Cash Transactions

Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up.

2. Significant Accounting Policies – *continued*

c) Critical Accounting Estimates, Judgments and Uncertainties – *continued*

Recognition of Deferred Tax Assets

The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

d) Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

The Company's functional currency is the Canadian Dollar ("CAD"). The financial statements are presented in CAD which is the Company's presentation currency, unless otherwise noted.

e) Exploration and Evaluation Assets

Exploration and evaluation asset expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition and exploration and evaluation of exploration and evaluation assets are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development and amortized using the unit of production method.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation asset expenditures incurred are deemed to be impaired. As a result, those exploration and evaluation asset costs, in excess of estimated recoveries, are written off to profit or loss.

Management reviews the facts and circumstances suggesting if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on the property.

Exploration stage assets and development stage assets are considered separate cash generating units ("CGU") for impairment testing purposes.

f) Cash

The Company considers cash to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less.

2. Significant Accounting Policies – *continued*

g) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of loss and comprehensive loss in the period that substantive enactment occurs.

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

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable;

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 when the Company intends to settle its current tax assets and liabilities on a net basis.

h) Impairment of Tangible and Intangible Assets

The Company’s tangible and intangible assets are reviewed for indications of impairment at each reporting date. If indication of impairment exists, the asset’s recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit (“CGU”), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

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 current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

2. Significant Accounting Policies – *continued*

h) Impairment of Tangible and Intangible Assets - *continued*

Reversal of Impairment

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 or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

i) Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Diluted loss per share is not separately presented, as the effect of securities exercisable into common shares would reduce the amount presented as loss per share.

j) Financial Instruments

Financial assets

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

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

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

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

2. Significant Accounting Policies - *continued*

j) Financial Instruments - *continued*

Financial assets - *continued*

impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

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

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

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as fair value through profit or loss.

b) Receivables have been classified as loans and receivables.

c) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

k) Share Capital

(i) Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares and share purchase warrants are classified as equity instruments.

(ii) Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

(iii) The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

2. Significant Accounting Policies – *continued*

l) Share-based Payments

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

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. On the exercise of stock options, the applicable amounts of reserves are transferred to share capital and consideration paid for the shares on the exercise of stock options is credited to share capital.

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

m) New Standards, Interpretations and Amendments Adopted

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted the following new standard without any significant effect on its financial statements.

The nature and impact of this new standard is described below:

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for all fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes additional disclosures regarding fair value measurements. IFRS 13 had no impact on the Company’s financial statements.

n) New Standards Not Yet Adopted

IFRS 9 – Financial Instruments (“IFRS 9”)

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. In July 2013, the IASB tentatively decided to defer the mandatory effective date until finalization of the impairment, classification and measurement requirements, with earlier adoption still permitted. The Company will evaluate the impact the final standard will have on its financial statements when issued.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies - *continued*

n) New Standards Not Yet Adopted - *continued*

IAS 32 – Financial Instruments: Presentation (“IAS 32”)

The IASB amended IAS 32, “Financial Instruments: Presentation” to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of ‘currently has a legally enforceable right of set-off’;
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amended standard is effective for annual periods beginning on or after January 1, 2014.

IAS 36 – Impairment of Assets (“IAS 36”)

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

IFRIC 21 – Levies (“IFRIC 21”)

An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

3. Prepaid Expenses

	December 31, 2013	December 31, 2012
Office and miscellaneous	**$ -**	$ 269

4. Receivables

	December 31, 2013	December 31, 2012
Amounts due from the Government of Canada pursuant to HST input tax credits	**$ 1,219**	$ 881
TSX filing fees refund	**-**	11,760
	$ 1,219	$ 12,641

(Expressed in Canadian Dollars)

5. Accounts Payable and Accrued Liabilities

		December 31, 2013		December 31, 2012
Trade and other payables	**$**	**263**	$	1,140
Trade and other payables to related party		**2,625**		2,800
Accrued liabilities		**14,500**		21,000
Total	**$**	**17,388**	$	24,940

6. Share Capital

Authorized: unlimited common shares without par value.

There were no share transactions during the years ended December 31, 2013 and 2012.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants. The Company has implemented a rolling plan to reserve 10% of issued shares for issuance. Under the plan, the exercise price of each option is set on the date of grant at no less than the Discount Market Price of the Company's stock as determined per the TSX Venture Exchange policy. Options granted under the plan have a term not to exceed ten years and are subject to vesting provisions as determined by the board of directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price	Weighted Average Life Remaining
Balance, December 31, 2011	500,000	$	0.50	0.32 years
Expired	(500,000)		0.50	
Balance, December 31, 2012 and 2013	-	$	-	

There were no stock options outstanding or exercisable at December 31, 2013.

No stock-based compensation expense was recognized for the years ended December 31, 2013 and 2012 as the Company did not grant any stock options.

Warrants

The Company had no warrants outstanding and exercisable as at December 31, 2013 and 2012.

7. Financial Instruments and Risk Management

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, receivables, and accounts payable and accrued liabilities.

Financial instruments

Cash is measured at fair value using level one as the basis for measurement in the fair value hierarchy. The carrying value of receivables, and accounts payable and accrued liabilities, approximate fair value because of the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:
It is management's opinion that the Company is not exposed to significant interest rate risk, currency risk or credit risk relating to its financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. The Company is exposed to credit risk with respect to its cash and receivables. The Company's cash is held in a major bank which is considered to have high creditability. The Company's receivables are from a government agency and stock exchange thus collection is considered assured. The Company believes it has no significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at December 31, 2013, the Company had a cash balance of $36,974 (2012 - $198,103) to settle liabilities of $17,388 (2012 - $24,940). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk, which are discussed further below:

(i) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and no interest bearing debt. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institution. Due to the short term nature of these financial instruments, fluctuations in interest rates do not have a significant impact on their fair values as at December 31, 2013 and 2012.

7. Financial Instruments and Risk Management – *continued*

Market Risk *- continued*

(ii) Currency risk

The Company is subject to currency risk to the extent of the expenditures denominated in US dollars that it will incur pursuant to the property option agreement. The Company does not presently manage currency risks through hedging or other currency management tools.

(iii) Price risk

Price risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. Currently the Company is not exposed to other price risk.

8. Capital Management

The Company's capital management objectives are to raise the necessary equity financing to fund its exploration projects and to manage the equity funds raised which best optimizes its exploration programs and the interests of its equity shareholders at an acceptable risk level.

In the management of capital, the Company includes items in shareholders' equity (excluding accumulated other comprehensive income) in the definition of capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may raise additional equity funds and acquire new exploration properties as circumstances dictate.

There were no changes in the Company's approach to capital management during the year ended December 31, 2013. The Company is not subject to externally imposed capital requirements.

9. Supplemental Cash Flow Information

There were no significant non-cash transactions of the Company for the years ended December 31, 2013 and 2012.

10. Related Party Transactions

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

- Paid rent of $18,000 (2012-$18,000) to a company related to a director of the Company.
- Paid accounting fees of $36,000 (2012-$36,000) to a company related to a director of the Company.
- Paid consulting fees of $60,000 (2012-$60,000) to a company controlled by a director of the Company.
- Paid consulting fees of $6,000 (2012-$6,000) to a director of the Company;
- Paid or accrued accounting fees of $10,000 (2012 - $10,000) for accounting services rendered by an officer of the Company.

(Expressed in Canadian Dollars)

11. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2013	2012
Earnings (loss) for the year	**$ (165,268)**	$ (630,268)
Expected income tax (recovery)	**$ (43,000)**	$ (158,000)
Change in statutory, foreign tax, foreign exchange rates and other	**(38,000)**	-
Changes in unrecognized deductible temporary differences	**81,000**	158,000
Total income tax expense (recovery)	**$ -**	$ -

The Canadian income tax rate increased during the year due to changes in the laws that increased corporate income tax rates in Canada.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2013	2012
Deferred tax assets (liabilities):		
Exploration and evaluation assets	**$ 655,000**	$ 630,000
Cumulative eligible capital	**5,000**	4,500
Non-capital losses	**345,000**	290,000
Net unrecognized deferred tax assets	**$ 1,005,000**	$ 924,500

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statements of financial position are as follows:

	2013	**Expiry Date Range**	2012	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 2,519,000	No expiry date	$ 2,519,000	No expiry date
Canadian eligible capital (CEC)	$ 18,000	No expiry date	$ 18,150	No expiry date
Non-capital losses available for future period	$ 1,327,000	2014 to 2033	$ 1,161,000	2014 to 2032

Tax attributes are subject to review, and potential adjustment, by tax authorities.