Lovitt Resources Inc.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

(Expressed in U.S. Dollars)

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charlton & company
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Lovitt Resources Inc.

We have audited the accompanying consolidated financial statements of Lovitt Resources Inc., which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of loss and comprehensive loss and deficit, consolidated statements of changes in equity, and consolidated statements of cash flows for the year ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Lovitt Resources Inc. as at December 2013 and its financial performance and its cash flows for the year ended December 31, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred significant losses to date and is also dependent upon its ability to secure new sources of financing to fund on-going operations. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Lovitt Resources Inc. for the year then ended December 31, 2012 were audited by other auditors' who expressed an unmodified opinion on those statements in their report to the shareholders dated April 30, 2013.

"Charlton & Company"

Chartered Accountants

Vancouver, B.C.
July 9, 2014

Lovitt Resources Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in U.S. Dollars)

	Years ended December 31	
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ **14,237**	$ 2,182
Amounts receivable	**603**	14,355
Prepaid expense	**-**	4,958
	14,840	21,495
ASSETS HELD FOR SALE (Note 3)	**1**	1
PROPERTY, PLANT AND EQUIPMENT (Note 4)	**263,834**	267,203
MINERAL PROPERTIES (Note 5)	**462,870**	419,958
PATRONAGE DIVIDENDS RECEIVABLE	**7,463**	12,384
	$ **749,008**	$ 721,041
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ **63,984**	$ 154,808
Accrued interest payable	**88,710**	62,865
Note payable (Note 6)	**5,391**	5,766
Current portion of long-term debt (Note 7)	**-**	378,599
	158,085	602,038
DEFERRED INCOME TAX LIABILITY (Note 11)	**-**	9,183
LONG-TERM DEBT (Note 7)	**746,999**	-
	905,084	611,211
SHAREHOLDERS' EQUITY (DEFICIENCY)		
SHARE CAPITAL (Note 8)	**4,312,197**	4,312,197
CONTRIBUTED SURPLUS	**935,727**	901,437
CURRENT TRANSLATION RESERVE	**(11,431)**	(9,794)
DEFICIT	**(5,392,569)**	(5,094,020)
	(156,076)	109,820
	$ **749,008**	$ 721,041

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
EVENTS AFTER THE REPORTING PERIOD (Note 15)

See accompanying summary of accounting policies and notes to the consolidated financial statements.

These consolidated financial statements were approved for issue by the Board of Directors on July 9, 2014 and are signed on its behalf by:

Approved by the Board *"C. Lorne Brown"* **Director** *"Dominic Lapenna"* **Director**

Lovitt Resources Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in U.S. Dollars)

	Years ended December 31	
	2013	2012
EXPENSES		
Depreciation of property, plant and equipment	$ **15,569**	$ 13,795
General and administrative	**125,708**	142,037
Interest on long-term debt	**39,751**	28,209
Interest – other	**-**	1,048
Management fees	**116,472**	120,048
Share-based compensation	**34,290**	101,729
	331,790	406,866
LOSS BEFORE OTHER ITEMS	**(331,790)**	(406,866)
OTHER ITEMS		
Write-down of asset held for sale	**-**	3,059
Interest income	**-**	-
Miscellaneous income	**24,058**	24,672
Write-off of mineral property (Note 5)	**-**	(114,627)
	24,058	(86,896)
NET LOSS BEFORE INCOME TAXES	**(307,732)**	(493,762)
INCOME TAXES		
Current	**-**	-
Deferred (recovery) (Note 11)	**(9,183)**	520
	(9,183)	520
NET LOSS FOR THE YEAR	$ **(298,549)**	$ (494,282)
LOSS PER SHARE – basic and diluted	$ **(0.03)**	$ (0.06)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**9,324,951**	8,904,636

See accompanying summary of accounting policies and notes to the consolidated financial statements.

Lovitt Resources Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in U.S. Dollars)

	Years ended December 31	
	2013	2012
NET LOSS FOR THE YEAR	$ **(298,549)**	$ (494,282)
OTHER COMPREHENSIVE LOSS		
Foreign exchange differences on translating foreign operations	**(1,637)**	(9,794)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ **(300,186)**	$ (504,076)

Lovitt Resources Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in U.S. Dollars)

	Number of Shares	Amount	Contributed Surplus	Currency translation reserve	Deficit	Total shareholder's equity (deficiency)
Balance as at December 31, 2011	8,142,611	$ 3,824,125	$ 787,135	$ -	$ (4,562,158)	$ 49,102
Common shares issued	1,250,000	508,852	-	-	-	508,852
Share issue costs	7,500	(20,780)	-	-	-	(20,780)
Stock options issued	-	-	114,302	-	-	114,302
Preferred share dividend paid	-	-	-	-	(37,580)	(37,580)
Comprehensive loss for the year	-	-	-	(9,794)	(494,282)	(504,076)
Balance as at December 31, 2012	9,400,111	4,312,197	901,437	(9,794)	(5,094,020)	109,820
Common shares issued	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-
Stock options issued	-	-	34,290	-	-	34,290
Preferred share dividend paid	-	-	-	-	-	-
Comprehensive loss for the year	-	-	-	(1,637)	(298,549)	(300,186)
Balance as at December 31, 2013	**9,400,111**	**$ 4,312,197**	**$ 935,727**	**$ (11,431)**	**$ (5,392,569)**	**$ (156,076)**

See accompanying summary of accounting policies and notes to the consolidated financial statements.

Lovitt Resources Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Years ended December 31	
	2013	2012
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Loss for the year	$ **(298,549)**	$ (494,282)
Items not affecting cash:		
Depreciation of property, plant and equipment	**15,569**	13,795
Deferred income taxes	**(9,183)**	520
Gain on sale of property, plant and equipment	-	(3,059)
Non-cash finders fees	-	3,041
Share-based payments	**34,290**	101,729
Write-down of equipment	-	114,627
Changes in non-cash working capital		
Decrease (increase) in		
Amounts receivable	**13,752**	(12,017)
Prepaid expenses	**4,958**	(3,618)
Increase (decrease) in		
Accounts payable and accrued liabilities	**(18,207)**	24,028
Accrued interest payable	**25,845**	13,307
Note payable	**(375)**	125
	(231,900)	(241,804)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(12,200)**	(20,407)
Expenditures on mineral properties	**(42,912)**	(144,439)
Patronage dividends received	**4,921**	2,487
Proceeds from sale of property, plant and equipment	-	5,775
	(50,191)	(156,584)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of common shares	-	505,811
Share issue costs	-	(20,780)
Long-term debt	**295,783**	(71,334)
Repayment of preferred share dividend	-	(37,580)
	295,783	376,117
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**(1,637)**	(9,794)
INCREASE (DECREASE) IN CASH DURING THE YEAR	**12,055**	(32,065)
CASH, beginning of year	**2,182**	34,247
CASH, end of year	$ **14,237**	$ 2,182

See Note 13.

See accompanying summary of accounting policies and notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is incorporated under the *Company Act* (British Columbia). The Company holds land and mineral interests located in Wenatchee, Washington, U.S.A. The Company currently owns 270 acres of land, and owns 100% of the mineral interest in approximately 200 acres and a 70% mineral interest in an additional 350 acres. In the past, the Company financed its operations by selling land.

The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "LRC". The Company's share options and share purchase warrants are not listed.

The Company's principal office is located at Suite 217 – 179 Davie Street, Vancouver, B.C., V6Z 2Y1.

These consolidated financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of material adverse conditions as set out below that may cast significant doubt on the validity of this assumption. At December 31, 2013, the Company has no source of operating cash flow and a deficit of $ 5,392,569 (December 31, 2012 – $ 5,094,020). At December 31, 2013, the Company had working capital deficiency of $ 143,245 (December 31, 2012 – working capital deficiency $ 580,543) and expects to incur further losses in the development of its business.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current equity market conditions, the challenging funding environment and the low price of the Company's common shares make it dilutive and difficult to raise funds by the sale of the Company's shares. The junior resource industry has been severely impacted by the world economic situation, as it is considered to be a high-risk investment. In order to ensure its ability to continue operating, the Company expects to sell land and any remaining non-mining equipment and the cold storage building on five acres of land to finance a mineral exploration and development program. However, there is no assurance that any such activity will generate funds that will be available for investments or operations.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of, liabilities which would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issed by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the year ended December 31, 2013, using significant accounting policies outlined below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flows information.

Principles of consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Lovitt Mining Company, Inc. (a U.S. corporation). Lovitt Mining Company, Inc.'s financial statements include the accounts of its wholly owned subsidiary, Gold King Inc. (a U.S. corporation). All significant inter-company balances and transactions have been eliminated.

Critical Judgments and Sources of Estimation Uncertainty
The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. **SIGNIFICANT ACCOUNTING POLICIES** – continued

Critical Judgments
The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involved judgment or assessments made by management.

(ii) Management is required to assess the functional currency of each entity in the Company. In concluding that the US dollar is the functional currency of the parent and its subsidiary, management considered the currency that mainly influences the cost of providing goods and services in each jurisdisction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indictors including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined that there were no impairment indicators present in respect of the Lovitt Mineral Property and as result no impairment test was performed.

(iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expense and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdiction in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal and economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 11.

Estimation Uncertainty
The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year:

(i) Depreciation expense if allocated based on assumed useful life of property, plant, and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.

(ii) The assessment of any impairment of mineral properties and property, pland, and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful life of assets.

(iii) The cost estimates are updated periodically during the life of a mine to reflect known developments (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations, and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration, or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at December 31, 2013 and 2012. There were no decommissioning liabilities.

(iv) The valuation of financial instruments which are classified as fair value through profit or less – See Note 10.

Cash equivalents
The Company considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents. There are no cash equivalents at December 31, 2013 and December 31, 2012.

Property, plant and equipment
Property, plant and equipment are carried at historical cost less accumulated depreciation and, where necessary, write-downs for impairment. Depreciation is provided over the expected useful life of each property, plant and equipment. The useful lives are reviewed annually. Land is reclassified as held for sale upon being listed for sale.

2. **SIGNIFICANT ACCOUNTING POLICIES** – continued

Mineral properties
Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until there is reasonable certainty as to the existence of economically recoverable mineral reserves and the property to which they relate is placed into production, sold or abandoned. Costs are amortized against future production from the property. Costs of abandoned properties are written off at the earlier of the decision to abandon the property or the expiry date of assessment work on the property. Administrative costs and other exploration costs that do not relate to any specific property are expensed as incurred. Mineral properties represent net expenditures incurred and capitalized as of the balance sheet date and do not necessarily reflect present or future values.

Decommissioning liability
Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environment laws and regulations.

On initial recognition, the estimated fair value of a decommissioning liability is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. Costs fore restoration of site damage which is created on an ongoing basis during the exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax-risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjustedfor each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The decommissioning liability is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

Impairment of non-financial assets
Impairment tests for non-financial assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-financial asset's recoverable amount is calculated. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. If the carrying value of a non-financial asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-financial asset to its recoverable amount.

Share Capital
Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as deduction from equity, net of any related income tax effects.

Non-cumulative preferred shares without mandatory redemption features are accounted for in accordance with the substance of the contractual arrangement and, as such, are classified as equity.

Dividends paid on preferred shares classified as equity are recorded against the deficit and are included in the statement of changes in equity.

Equity Financing
The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair valye of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions
The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the contributed surplus included 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.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option priving model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Revenue recognition
Interest and other revenue is recognized in the period the amounts are earned and when collection is reasonably assured.

Land and other property, plant and equipment sales are recognized when title transfers to the purchaser, when collection of sales proceeds is reasonably assured and when all other obligations have been fulfilled.

Foreign currency translation
Functional and presentation currency
The financial statements of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of the subsidiaries includes re-measurement from the local currency to the subsidiaries functional currency. The subsidiaries' functional currency, being the currency of the primary economic environment in which the subsidiaries operates, is the U.S. dollar. These consolidated financial statements are presented in U.S. dollars.

Exchange rates published by the Bank of Canada were used to translate the accounts in preparing the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive income (loss).

Loss per share
Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Current and deferred income taxes
Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in profit and loss, except for income taxes relating to items recognized directly in equity or other comprehensive income.

Current income taxes, if any, are the expected amount payable or receivable on the taxable income or loss for the year, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to amounts payable or receivable relating to previous years.

Deferred income taxes are provided using the liability method based on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes is determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

Financial instruments

Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable and patronage dividends receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with realized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At December 31, 2013 the Company has not classified any financial assets as available for sale.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities, accrued interest payable, note payable and long-term debt are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At December 31, 2013, the Company has not classified any financial liabilities as fair value through profit or loss.

Transaction costs
The Company recognizes transaction costs incurred in connection with the issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expensed as incurred. Transaction costs for assets and liabilities classified as "fair value through profit or loss" or "available for sale" are expensed as incurred. Transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Effective interest method
The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

Recent accounting pronouncements
The following accounting standards, amendments and interpretations have been issued and are mandatory for the current and future accounting periods unless otherwise indicated, earlier application is permitted.

(i) IFRS 9 - *Financial Instruments.* This standard partially replaces IAS 39 – *Financial Instruments: Recognition and Measurement.* IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2015. The standard, which may be early adopted, must be applied retrospectively. Management is current assessing the impact of this standard on the Company's accounting policies and financial statement presentation.

(ii) IFRS 10 *Consolidated Financial Statements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated – Special Purpose Entities.* There was no impact on the Company's Financial statements upon adoption of this standard on January 1, 2013.

(iii) IFRS 11 *Joint Arrangements*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures.* There was no impact on the Company's Financial statements upon adoption of this standard on January 1, 2013.

(iv) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. There was no impact on the Company's Financial statements upon adoption of this standard on January 1, 2013.

(v) IFRS 13 *Fair Value Measurement*; to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurement (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). There was no impact on the Company's Financial statements upon adoption of this standard on January 1, 2013.

3. **ASSETS HELD FOR SALE**

In 2008, the Company had reclassified the net book value of its high pressure equipment, originally recorded as property, plant and equipment, to assets held for sale. The Company expected to sell this equipment in 2009 for net proceeds greater than its carrying value. However, the market for such equipment is limited and specialized, and the net recoverable amount on sale cannot be readily determined. Hence the high pressure equipment has been written down to a nominal value. Any subsequent gain or loss on the sale of the high pressure equipment will be recorded in the period the equipment is sold.

Also at December 31, 2013, the Company has a cold storage plant and related five acres of land available for sale. The plant and land have nominal carrying values.

(Unaudited – Expressed in U.S. Dollars)

4. **PROPERTY, PLANT AND EQUIPMENT**

	Land	Water rights	Equipment	Building	Computer equipment	Vehicles	Total
COST							
Balance as at December, 2012	$ 181,082	$ 8,088	$ 76,905	$ 587,122	$ 27,877	$ 900	$ 881,974
Additions	-	-	12,200	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance as at December, 2013	$ 181,082	$ 8,088	$ 89,105	$ 587,122	$ 27,877	$ 900	$ 894,174
ACCUMULATED DEPRECIATION							
Balance as at December, 2012	$ -	$ -	$ 48,263	$ 553,897	$ 11,711	$ 900	$ 614,771
Depreciation for the year	-	-	9,649	537	8,083	-	15,569
Adjustment for disposals	-	-	-	-	-	-	-
Balance as at December, 2013	$ -	$ -	$ 55,212	$ 554,434	$ 19,794	$ 900	$ 630,340
CARRYING AMOUNT							
At December 31, 2012	$ 181,082	$ 8,088	$ 28,642	$ 33,225	$ 16,166	$ -	$ 267,203
At December 31, 2013	$ **181,082**	$ **8,088**	$ **33,893**	$ **32,688**	$ **8,083**	$ -	$ **263,834**

(Expressed in U.S. Dollars)

5. **MINERAL PROPERTIES**

		2013		2012
Lovitt Mineral Property - Washington, U.S.A.	$	1	$	1
Golden King and MacBeth Claims - Washington, U.S.A.		1		1
Deferred exploration costs		462,868		419,956
	$	462,870	$	419,958

As December 31, 2013, deferred exploration costs were as follows:

		Lovitt Property
Acquisition fees (lease payments)	$	-
Geology and consulting		249,022
Assay fees		21,574
Travel		80,058
Supplies and permits		23,912
Field expenditures		88,302
Total	$	462,868

As December 31, 2012, deferred exploration costs were as follows:

		Lovitt Property
Acquisition fees (lease payments)	$	–
Geology and consulting		236,710
Assay fees		19,659
Travel		64,157
Supplies and permits		22,293
Field expenditures		77,137
Total	$	419,956

The Lovitt Mineral Property represents a 100% undivided interest in 200 acres and a 70% undivided interest in 350 acres with mineral rights. The Golden King and MacBeth claims represent a 100% undivided interest in 40 acres with mineral rights. The mineral interest is subject to a 5% net smelter royalty, payable to former minority investor of Lovitt Mining Company Inc., as an incentive to a buyout concluded in 2004.

Mineral properties include nominal acquisition costs as they were written down in prior years. In 2013, the Company incurred $ 42,912 (2012 – $ 157,012) of exploration costs.

During 2012, due to market conditions, the rising cost of deep drilling, and the fact that the time and expense required for production permitting now exceeds the diminishing time remaining on the royalty buy-back, the Company terminated its lease interest on the Matthews property on the Wenatchee Gold Belt in Wenatchee, WA. As a result, a $114,627 write off was recorded during fiscal 2012.

6. **NOTE PAYABLE**

The Company has a promissory note payable of CDN $ 5,737 (2012 – CDN $ 5,737) to a shareholder of the Company. The note is bears interest at 5% per annum, is not collateralized, and has no fixed terms of repayment.

(Expressed in U.S. Dollars)

7. LONG-TERM DEBT

	2013	2012
Loan from a corporation controlled by a director of the Company – no required monthly payments; bearing interest at 5%, not collateralized, extended to October 1, 2015	$ 94,380	$ 94,380
Loan from a director of the Company and his immediate family – no required monthly payments; interest calculated at 5% per annum; not collateralized, due on October 1, 2015	127,619	9,219
Loan from corporation controlled by a director of the Company – no required monthly payments; interest calculated at 5% per annum; not collateralized, extended to October 1, 2015	100,000	100,000
Loan from corporation controlled by a director of the Company – no required monthly payments; interest calculated at 5% per annum; not collateralized, extended to October 1, 2015	215,000	65,000
Loan – requiring minimum monthly payments of $1,100 representing interest only, calculated at 12% per annum; collateralized by a pledge of the Company's land, excluding the mineral rights and the plant; due July 1, 2013	-	110,000
Loan from a director of the Company – no required monthly payments; interest calculated at 5% per annum; secured by land, due on July 16, 2015	110,000	–
Loan from a director of the Company – no required monthly payments; interest calculated at 5% per annum; secured by land, due on February 23, 2015	100,000	-
	746,999	378,599
Less: Current portion	-	$ (378,599)
	$ 746,999	$ –

(Expressed in U.S. Dollars)

8. SHARE CAPITAL

Authorized – unlimited number of common shares without par value
– 100,000,000 preferred shares with par value of $ 0.00001 per share

(a) *Reconciliation of changes in Share Capital*
No private placements occurred during the 2011 fiscal year.

In May 2012, the Company completed a private placement of 1,250,000 units at a price of CAD $0.40 for gross proceeds of $508,852 (CAD $500,000). Each unit consists of one common share and one share purchase warrant. Each full share purchase warrant is exercisable at a price of CAD $0.55 per share. All warrants are exercisable for six months from the date of approval. Total share issue costs of $20,780 (including 7,500 units issued to finders in lieu of cash at a value of $3,041) were incurred.

(b) *Warrants*
In May 2012, 1,257,500 warrants were issued in connection with the private placement that occurred. All 1,257,000 warrants expired unexercised in November 2012 and no remaining warrants are outstanding at December 31, 2012 and 2013.

(c) *Share Option Plan*
The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

During fiscal 2011 (On December 19, 2011), the Company granted 630,000 options to directors and consultants and recorded compensation expense of $2,670 on the vesting of the related options. The options are exercisable at $0.55 per option for two years from the date of grant.

During fiscal 2013 the Company granted 360,000 options (2012 – nil) and recorded compensation expense of $34,290 (2012 – $101,729) and capitalized $Nil (2012 – $12,573) to the Lovitt Property on the vesting of the options granted on December 19, 2011. Also, during fiscal 2012, 50,000 options associated with the December 19, 2011 grant were forfeited with no related compensation expense recognized.

The fair value of share options granted and vested during fiscal 2013 and 2012 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2013	2012
Risk-free interest rate	1.17%	0.85% - 1.26%
Estimated volatility	110%	123% - 143%
Expected Life	1.5 years	1.25 years – 2 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average fair value of all share options granted during fiscal 2013 was $0.10 (2012 - $0.20) per share option.

As at December 31, 2013, the Company had stock options outstanding as follows:

Number of Shares	Number Exercisable	Exercise Price	Expiry Date
360,000	270,000	$0.20	July 10, 2014

A summary of the status of the Company's stock options as at December 31, 2013 and December 31, 2012, and the changes during those years is presented below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2011	630,000	$0.55	2.00 years
Granted	-	-	
Exercised	-	-	
Expired/Cancelled	(50,000)	$0.55	
Balance, December 31, 2012	580,000	$0.55	1.00 years
Granted	360,000	$0.20	
Exercised	-	-	
Expired/Cancelled	(580,000)	$0.55	
Balance, December 31, 2013	360,000	$0.20	0.50 years

(Expressed in U.S. Dollars)

8. **SHARE CAPITAL** – continued

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can material affect the fair value estimates and, therefore, existing models do no necessarily provide reliable measure of the fair value of the Company's share options.

(d) Preferred shares

	Number	(CDN $/share)
Balance as at December 31, 2012 and 2013	75,160	1

Preferred shares Issued are comprised of 75,160 Non-Cumulative Preferred Series A Issue 1 Share with a face value of $ 10 each, and a 5% annual coupon rate.

The preferred shares were issued upong the conversion of $510,000 in long-term debt and $241,000 in accrued interest payable to a corporation owned by a director of the Company during the fiscal 2011 year-end. No preferred shares were issued during the fiscal 2013 and 2012 year-ends.

9. **SEGMENTED INFORMATION**

As at December 31, 2013 and 2012 the Company's identifiable assets, revenue and net income (loss) in each of the geographic areas is as follows:

	2013		
	Identifiable assets	Revenue	Net loss
United States	$ 737,996	$ -	$ (37,392)
Canada	11,012	-	(261,157)
	$ 749,008	$ -	$ (298,549)

	2012		
	Identifiable assets	Revenue	Net loss
United States	$ 702,475	$ -	$ (152,681)
Canada	18,566	-	(341,601)
	$ 721,041	$ -	$ (494,282)

Included in the identified assets are the assets held for sale which are described in Note 3. Also included in the 2012 net loss for the U.S. Segment is the $114,627 mineral property write-off observed in the consolidated statements of loss.

10. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

a) **Fair value**

Fair value hierarchy
IFRS 7 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 – inputs for the asset or liability that are not based upon observable market date

The fair value of cash is based on Level 1 inputs for the fair value hierarchy.

10. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** – continued

The fair value of financial instruments at December 31, 2013 and December 31, 2012 are summarized as follows:

	December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Fair value through profit or loss				
Cash	$ 14,237	$ 14,237	$ 2,182	$ 2,182
Loans and receivables	603	603	14,355	14,355
Patronage dividends receivable	7,463	7,463	12,384	12,384
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	$ 60,084	$ 60,084	$ 154,808	$ 154,808
Accrued interest payable	88,710	88,710	62,865	62,865
Note payable	5,391	5,391		
Long-term debt to non-related parties(+)	115,900	115,900	110,000	110,000
Long-term debt to related parties (+)	734,999	734,999	268,599	268,599

+ Based on management's assessment, the carrying value of long-term debt reasonably approximates its fair value.

b) **Financial risk management**
The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Cash and amounts receivable and patronage dividends receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk
The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash, in addition to listing assets that it can sell. The Company intends also to raise additional financing through the issuance of capital and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. See also Note 1.

Interest rate risk
Note payable and long-term debt bear interest at fixed rates, or do not bear interest, and therefore do not expose the Company to interest rate cash flow risk.

Foreign exchange risk
The Company is subject to foreign exchange rate risk as the Company incurs transactions and has assets and liabilities denominated in Canadian dollars, whereas the parent and subsidiaries' functional and reporting currency is the U.S. dollar.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's portfolio of properties has exposure to predominantly gold. The price of this commodity will affect the value of the Company and the potential value of its properties.

(Expressed in U.S. Dollars)

11. INCOME TAXES

The Company has non-capital losses for Canadian income tax purposes of approximately $630,000 (CDN $670,000) available to reduce future years' taxable income. The benefit of these non-capital losses has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized. If unused, the non-capital losses will expire annually beginning in the 2014 taxation year and ending in the 2033 taxation year.

The Company has Canadian resource deductions available in excess of amounts expensed for accounting purposes of approximately $ 347,000 (CDN $ 369,000). The Company has Undepreciated Mineral Property Cost for US tax purposes of $ 182,500. These available deductions have no expiry date and can be offset against future taxable income. The potential tax benefit of these amounts has not been reflected in these accounts.

The Company also has net operating loss carryforwards for tax purposes of approximately $ 2,474,000 (2012 – $ 2,277,800) available for deduction against future taxable income in the United States.

The significant components of the Company's unrecognized deferred income taxes are as follows as at December 31, 2013 and 2012:

		2013		2012
Deferred income tax assets				
Benefit of loss carryforwards	$	1,003,000	$	929,000
Benefit of resources tax pool		175,000		179,000
	$	1,178,000	$	1,108,000

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes:

		2013		2012
Income taxes (recovery) at statutory income taxes rates (2013 – 25.75%, 2012 – 25.00%)	$	(64,000)	$	(95,000)
Effect of foreign income taxed at different rates		(16,000)		(12,000)
Effect of income tax rate changes		5,000		9,000
Unrecognized benefit of income		65,817		98,000
Actual income tax rate recovery	$	(9,183)	$	–

12. RELATED PARTY TRANSACTIONS

Unless otherwise stated, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

As at December 31, 2013, accounts payable includes $9,966 (2012 – $14,601) owed to a director and members of his immediate family. Accrued interest payable includes $84,459 (2012 – $54,717) due to a director and members of his immediate family and a corporation owned by a director of the Company. Long term debt includes loans outstanding of $750,899 (2012 – $259,380) to corporations controlled by directors of the Company. During the 2013 fiscal year, the company capitalized consulting fees to Mineral Properties of $Nil (2012 – $10,093) paid to a director of the Company.

During 2013 the Company was charged $127,547 (2012 – $125,448) for accounting, consulting, management service, and casual labour provided by directors and officers (and members of their immediate families) of the Company and by a corporation owned by a director of the Company. During 2013 the Company also paid $8,735 (2012 – $9,004) for office rent to a director of the Company. Also, during 2013, the Company was charged $34,351 (2012 – $11,814) for interest on the outstanding loans from directors of the Company (and members of his immediate family) and by corporations controlled by a management personnel and directors during the 2013 fiscal year.

During 2013 the Company also paid $Nil (2012 – $37,580) in preferred share dividends to a corporation controlled by a director of the Company.

(Expressed in U.S. Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

During 2013 and 2012 non-cash activities were conducted by the Company as follows:

	2013	2012
Investing		
Expenditure on mineral properties	-	(12,573)
Financing		
Accounts payable settled upon issuance of long-term debt	72,617	–
Share issuance costs	-	(3,041)
Private placement shares and warrants issued	-	3,041
Increase in contributed surplus	-	12,573

During 2013, the Company paid interest of $ 9,700 (2012 – $ 15,400) and preferred dividends of $nil (2012 - $37,580)

14. CAPITAL MANAGEMENT

The Company manages as capital its share capital and long-term debt. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds operations and exploration activities from the issuance of shares generally through private placements, obtaining loans and selling its assets held for sale.

There were no changes to the Company's approach to capital management during 2013 or 2012. The Company is not subject to externally imposed capital requirements.

15. EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to December 31, 2013, the Company sold some of the assets classified as assets held for sale for gross proceeds of $36,000.