# STRONGBOW EXPLORATION INC.

# CONSOLIDATED FINANCIAL STATEMENTS

## JANUARY 31, 2014

## (Expressed in Canadian Dollars)

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Strongbow Exploration Inc.

We have audited the accompanying consolidated financial statements of Strongbow Exploration Inc., which comprise the consolidated statements of financial position as at January 31, 2014 and 2013 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 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 auditors' 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 auditors consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Strongbow Exploration Inc. as at January 31, 2014 and 2013 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 consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Strongbow Exploration Inc. to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada — Chartered Accountants

May 28, 2014

**STRONGBOW EXPLORATION INC.**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
As at JANUARY 31

| | 2014 | 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 101,408 | $ 167,495 |
| Marketable securities (Note 5) | 16,550 | 13,525 |
| Receivables (Note 6) | 2,746 | 55,250 |
| Prepaid expenses | 16,969 | 33,389 |
| | 137,673 | 269,659 |
| **Investment** (Note 5) | 92,274 | 120,490 |
| **Deposits** | 5,000 | 10,945 |
| **Equipment** (Note 8) | 13,640 | 19,486 |
| **Exploration and evaluation assets** (Note 9) | 605,051 | 3,345,945 |
| | $ 853,638 | $ 3,766,525 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 7) | $ 20,723 | $ 74,380 |
| **Asset retirement obligation** (Note 12) | 106,781 | 81,170 |
| | 127,504 | 155,550 |
| **CAPITAL AND RESERVES** | | |
| Capital stock (Note 10) | 26,415,443 | 26,415,443 |
| Share-based payment reserve (Note 10) | 4,095,128 | 4,095,128 |
| Investment revaluation reserve | 49,809 | - |
| Deficit | (29,834,246) | (26,899,596) |
| | 726,134 | 3,610,975 |
| | $ 853,638 | $ 3,766,525 |

**Nature and Continuance of Operations and Going Concern Assumption** (Note 1)
**Commitments** (Note 15)
**Subsequent Event** (Note 18)

**Approved and authorized on behalf of the Board on May 28, 2014:**

*"D. Grenville Thomas"* Director *"Kenneth A. Armstrong"* Director

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

**STRONGBOW EXPLORATION INC.**
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEAR ENDED JANUARY 31
(Expressed in Canadian dollars)

| | 2014 | 2013 |
|---|---|---|
| **EXPENSES** | | |
| Accretion (Note 12) | $ 569 | $ - |
| Advertising and promotion | 24,452 | 98,063 |
| Depreciation (Note 8) | 5,846 | 8,782 |
| Insurance | 27,615 | 43,008 |
| Office, miscellaneous and rent | 25,664 | 92,025 |
| Professional fees | 31,176 | 54,617 |
| Generative exploration costs | 43,134 | 148,403 |
| Regulatory and filing fees | 14,432 | 17,312 |
| Salaries and benefits | 33,410 | 249,682 |
| Share-based compensation (Note 10) | - | 102,470 |
| | (206,298) | (814,362) |
| Foreign exchange loss | - | (11,581) |
| Gain on sale of marketable securities and investments (Note 5) | 15,135 | 2,410 |
| Interest income | 149 | 782 |
| Loss on the disposal of equipment (Note 8) | - | (10,244) |
| Mineral exploration tax credits received | 13,770 | 11,188 |
| Write-off of exploration and evaluation assets (Note 9) | (2,757,406) | (10,908,132) |
| Write-off of marketable securities and investments (Note 5) | - | (158,464) |
| | (2,728,352) | (11,074,041) |
| **Loss for the year** | (2,934,650) | (11,888,403) |
| Unrealized gain (loss) on marketable securities and investments | 49,809 | (355,870) |
| **Comprehensive loss for the year** | $ (2,884,841) | $ (12,244,273) |
| **Basic and diluted loss per share** | $ (0.32) | $ (1.32) |
| **Weighted average number of common shares outstanding** | 9,107,716 | 9,015,660 |

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

**STRONGBOW EXPLORATION INC.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JANUARY 31
(Expressed in Canadian dollars)

| | 2014 | 2013 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the year | $ (2,934,650) | $ (11,888,403) |
| Items not involving cash: | | |
| Accretion | 569 | - |
| Depreciation | 5,846 | 8,782 |
| Generative exploration costs | 21,442 | 81,170 |
| Gain on sale of investments and marketable securities | (15,135) | (2,410) |
| Loss on disposal of equipment | - | 10,244 |
| Share-based compensation | - | 102,470 |
| Write-off of exploration and evaluation assets | 2,757,406 | 10,908,132 |
| Write-off of marketable securities and investments | - | 158,464 |
| Changes in non-cash working capital items: | | |
| Decrease (increase) in receivables | 52,504 | (38,106) |
| Decrease in prepaid expenses | 16,420 | 16,114 |
| Decrease in accounts payable and accrued liabilities | (53,160) | (6,802) |
| Net cash used in operating activities | (148,758) | (650,345) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Decrease in deposits | 5,945 | 24,573 |
| Short-term investments | - | 74,750 |
| Expenditures on exploration and evaluation assets | (31,486) | (634,043) |
| Recoveries on exploration and evaluation assets | 8,077 | 25,000 |
| Acquisition of property and equipment | - | (14,787) |
| Proceeds from sale of marketable securities and investments | 100,135 | 11,910 |
| Net cash provided by (used in) investing activities | 82,671 | (512,597) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of capital stock | - | 1,157,000 |
| Share issue costs | - | (12,772) |
| Net cash provided by financing activities | - | 1,144,228 |
| **Change in cash during the year** | (66,087) | (18,714) |
| **Cash beginning of year** | 167,495 | 186,209 |
| **Cash end of year** | $ 101,408 | $ 167,495 |
| **Cash paid during the year for interest** | $ - | $ - |
| **Cash paid during the year for income taxes** | $ - | $ - |

**Supplemental disclosure with respect to cash flows** (Note 14)

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

**STRONGBOW EXPLORATION INC.**
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED JANUARY 31
(Expressed in Canadian dollars)

| | Capital Stock | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Number of shares | Amount | Share-based payment reserve | Investment revaluation reserve | Deficit | Total |
| Balance at January 31, 2012 | 8,199,596 | $25,280,132 | $ 3,983,741 | $ 355,870 | $(15,011,193) | $14,608,550 |
| Shares issued for cash – private placement | 890,000 | 1,157,000 | - | - | - | 1,157,000 |
| Shares issued for cash – finder's units | 18,120 | 23,556 | - | - | - | 23,556 |
| Share issue costs | - | (45,245) | 8,917 | - | - | (36,328) |
| Share-based compensation | - | - | 102,470 | - | - | 102,470 |
| Unrealized loss on marketable securities and investments | - | - | - | (355,870) | - | (355,870) |
| Loss for the year | - | - | - | - | (11,888,403) | (11,888,403) |
| **Balance at January 31, 2013** | **9,107,716** | **$26,415,443** | **$ 4,095,128** | **$ -** | **$(26,899,596)** | **$ 3,610,975** |
| Unrealized gain on marketable securities and investments | - | - | - | 49,809 | - | 49,809 |
| Loss for the year | - | - | - | - | (2,934,650) | (2,934,650) |
| **Balance at January 31, 2014** | **9,107,716** | **$26,415,443** | **$ 4,095,128** | **$ 49,809** | **$ (29,834,246)** | **$ 726,134** |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Strongbow Exploration Inc. (the "Company") is incorporated federally under the laws of the Canada Business Corporations Act ("CBCA").

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company. The Company trades on the TSX Venture Exchange, (TSXV – SBW) and its head office is located at Suite 860 – 625 Howe Street, Vancouver, BC, Canada V6C 2T6.

The Company's principal business activity is the acquisition and exploration of exploration and evaluation assets. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

On March 28, 2014, the Company's common shares commenced trading on a 1-new-for-10-old consolidated basis. All common shares, share purchase warrants, stock options and per share amounts have been retroactively restated to conform with this presentation.

The Company is in the process of acquiring and exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the financing necessary to complete the development of its exploration and evaluation assets and upon future profitable production.

These consolidated financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, the Company has sustained substantial losses from operations since inception and has no current source of revenue. Continued operations of the Company and further exploration on the remaining exploration and evaluation assets is dependent on the Company's ability to complete additional equity financings or generate profitable operations in the future. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was inappropriate. These adjustments could be material.

As at January 31, 2014, the Company had current assets of $137,673 to settle current liabilities of $20,723. Although the Company has positive working capital of $116,950 as at January 31, 2014, the Company may be required to delay discretionary expenditures if additional financing cannot be obtained on reasonable terms. Failure to obtain additional financing may result in the loss of some or all of the Company's exploration and evaluation assets (Note 9).

## 2. BASIS OF PRESENTATION

### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 28, 2014, the date the Board of Directors approved the statements.

## 2. BASIS OF PRESENTATION – *Continued*

### Accounting Standards adopted during the year

Effective February 1, 2013, the following standards were adopted but have had no material impact on the consolidated financial statements.

a) IFRS 10 – *Consolidated Financial Statements*: New standard to establish principles for the presentation and preparation of consolidated financial statements, effective for annual periods beginning on or after January 1, 2013
b) IFRS 11 – *Joint Arrangements*: New standard to account for the rights and obligations in accordance with a joint agreement, effective for annual periods beginning on or after January 1, 2013
c) IFRS 12 – *Disclosure of interests in other entities*: New standard for the disclosure of interest in other entities not within the scope of IFRS 9 / IAS 39, effective for annual periods on or after January 1, 2013
d) IFRS 13 – *Fair value Measurement*: New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013
e) IAS 27 – *Consolidated and Separate Financial Statements* (Amendment): As a result of the issue of IFRS 10, IFRS 11 and IFRS 12. IAS 27 deals solely with separate financial statements, effective for annual periods beginning on or after January 1, 2013
f) IAS 28 - *Investments in Associates* (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the application of the equity method to investments in associates and joint ventures, effective for annual periods beginning on or after January 1, 2013

### New Accounting Standards and interpretations not yet adopted

The following new standards, amendments and interpretations have not been early adopted in these consolidated financial statements. The Company is currently evaluating the effect of adopting the new standards, amendments and interpretation on future operations:

i) Accounting standards effective on or after January 1, 2014:

a) *Amendment to IAS 32, Financial Instruments*: *Presentation*, *on assets and liabilities offsetting*. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.
b) *Amendment to IAS 36, Impairment of assets on recoverable amount disclosures*. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
c) *IFRIC 21, Levies. This is an interpretation of IAS 37, Provisions, contingent liabilities and contingent assets*. 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 (known as an obligating event). The interpretation 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.

ii) Accounting standard with an unknown effective date:

a) *IFRS 9, Financial Instruments*. In November 2009, the IASB issued IFRS 9 as the first step in its project to replace International Accounting Standard 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 profit (loss), and guidance on financial liabilities and derecognition of financial instruments. IFRS 9 has been indefinitely postponed with an unknown effective date.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Significant Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods.

Significant areas requiring the use of management judgment and estimate include:

(i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

(ii) The determination of the fair value of stock options or warrants using stock pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

(iii) The determination of deferred tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

(iv) Option or sale agreements, under which the Company may receive shares as payment, require the Company to determine the fair value of the shares received. Many factors can enter into this determination, including, if public shares, the number of shares received, the trading value of the shares, and volume of shares, and if non-public shares, the underlying asset value of the shares, or value of the exploration and evaluation asset interests under option or sale. This determination is highly subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Palmetto State Gold, Inc. ("Palmetto"), a South Carolina, U.S.A. corporation. Subsidiaries are entities controlled by the Company. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company transactions and balances have been eliminated upon consolidation.

### c) Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21").

The consolidated statements of financial position have been translated to the Canadian dollar in accordance with IAS 21. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company's presentation currency is the Canadian dollar ("$").

### d) Share-based compensation

The Company grants share purchase options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. 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.

The fair value of the options is measured at the grant date, using the Black-Scholes option pricing model. The fair value of the share purchase options considers the terms and conditions upon which the share purchase options were granted. The fair value of the options granted is recognized as a share-based compensation expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### e) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the period end and, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future 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 income 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 that do not affect accounting or taxable profit; and
- goodwill

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

### f) Loss per share

Basic loss per share is computed by dividing loss 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 the loss per share. For the years presented this calculation proved to be anti-dilutive.

### g) Equipment

Equipment is stated at cost less accumulated depreciation and any impairment in value.

The initial cost of equipment is comprised of its purchase price and any directly attributable costs in bringing the equipment to its working condition and location for its intended use. Expenditures incurred after the equipment has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as an expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the equipment beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of equipment.

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided for annually at the following rates:

| | |
|---|---|
| Furniture and equipment | 20% declining balance |
| Computer equipment | 30% declining balance |
| Software | 1 year straight-line |
| Leasehold improvements | Term of the lease |

The remaining useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each financial year-end to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of equipment.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### g) Equipment – *Continued*

The carrying value of equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of equipment are included in the statement of loss and comprehensive loss in the period of retirement or disposal.

### h) Exploration and evaluation assets

Exploration and evaluation assets are capitalized under tangible assets on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. No costs are capitalized until the legal right to explore the property has been obtained. When it is determined that such costs will be recouped through development and exploitation, the capitalized expenditure is transferred to tangible assets and depreciated over the expected productive life of the asset. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

Impairment review for deferred exploration and evaluation assets is carried out on a project by project basis, with each project representing a single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one or more of the following circumstances apply:

- Unexpected geological occurrences are identified that render the resource uneconomic;
- Title to the asset is compromised;
- Fluctuations in metal prices render the project uneconomic;
- Variation in the currency of operations; and
- A threat to political stability in the country of operation exists.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that these options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its exploration and evaluation assets, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

### i) Impairment

At the end of each reporting period the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### i) Impairment – *Continued*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### j) Financial Instruments

Financial instruments are classified into one of the following categories:

- financial instruments at fair value through profit or loss (“FVTPL”);
- available for sale (“AFS”) financial instruments;
- held-to-maturity investments;
- loans and receivables; and
- other financial liabilities

The classification is determined at initial recognition and depends on the nature and purpose of the financial instrument.

*(i) Financial instruments at FVTPL*

Financial instruments are classified as FVTPL when the financial instrument is held for trading or it is designated as FVTPL.

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial instruments classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial instrument.

The Company has classified its cash as FVTPL.

*(ii) AFS financial instruments*

Investments held by the Company that are classified as AFS are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investment revaluation reserve. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognized directly in profit or loss rather than equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences due to a change in amortized cost of the asset is recognized in profit or loss, while all other changes are recognized in equity.

The Company has classified its marketable securities and investments as AFS.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### j) Financial Instruments – *Continued*

*(iv) Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has classified receivables as loans and receivables.

*(v) Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. 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 profit or loss.

*Other financial liabilities*: These are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

*(vi) Effective interest method*

The effective interest method calculates the amortized cost of a financial instrument and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cashflows over the expected life of the financial instrument, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial instruments classified as FVTPL.

*(vii) Impairment of financial assets*

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

Objective evidence of impairment could include the following:

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

## 3. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

### j) Financial Instruments – *Continued*

For financial instruments carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial instrument's original effective interest rate.

The carrying amount of all financial instruments, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial instrument cannot exceed its amortized cost had impairment not been recognized.

*(viii) Derecognition of financial assets*

A financial instrument is derecognized:

- when the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial instrument and all risks and rewards of ownership to another entity.

*(ix) Derecognition of financial liabilities*

Financial liabilities are derecognized when the Company's obligations are discharged, cancelled or they expire.

*(x) Fair Value Hierarchy*

The inputs used in making fair value measurements, are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

### k) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbances are caused by the exploration or development of exploration and evaluation assets due to statutory, contractual, constructive or legal obligations. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises.

The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### l) Marketable Securities and Investments

Marketable securities and investments are measured at fair value and consist of shares in public companies listed on the TSX Venture Exchange ("TSX-V").

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, marketable securities, receivables, investments, and accounts payable and accrued liabilities. Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables and accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity. Marketable securities and investments are recorded at fair value based on the quoted market prices in active markets at the statement of financial position date, which is consistent with level 1 of the fair value hierarchy.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk, liquidity risk, foreign currency risk, and equity market risk. The Company's objective with respect to risk management is to minimize potential adverse effects on the Company's financial performance. The Board of Directors provides direction and guidance to management with respect to risk management. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's receivables consist primarily of sales tax receivables due from the federal government and receivables from companies with which the Company has exploration agreements or options. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investment included in cash is limited because these investments, although readily convertible into cash, are generally held to maturity.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales, exploration option agreements, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities, and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration and development of the Company's properties, and could result in the Company being unable to meet the continued listing requirements of the TSX-V. As at January 31, 2014, the Company had current assets of $137,673 available to settle current liabilities of $20,723.

*Foreign Currency Risk*

The Company has exposure to foreign currency risk through its exploration and evaluation assets in the United States however, the majority of its current assets and current liabilities are denominated in Canadian dollars. The Company's exploration activities and land tenure expense in the United States make it subject to foreign currency fluctuations, which may affect the Company's statement of financial position and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and the US dollar. The Company does not presently invest in foreign currency contracts to mitigate this risk. It is management's opinion that the Company is not exposed to significant foreign currency risk

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – *Continued*

*Equity market risk*

The Company is exposed to equity price risk arising from its marketable securities and investments, which are classified as AFS. The Company plans to sell its marketable securities and investments as market conditions permit, or as is required to finance the Company's operations from time-to-time.

## 5. MARKETABLE SECURITIES AND INVESTMENTS

### a) Marketable Securities

The Company holds 295,000 common shares in three TSX-V listed companies (January 31, 2013 – 195,000 common shares).

| | **January 31, 2014** | | | January 31, 2013 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Unrealized Loss*** | **Fair Market Value**** | Cost | Reversal of Previous Unrealized Losses and Permanent loss* | Fair Market Value |
| Various public companies | **$ 23,525** | **$ (6,975)** | **$ 16,550** | $ 51,500 | $ (37,975) | $ 13,525 |

*before deferred taxes

**Includes 200,000 common shares (fair market value of $14,000) of Westhaven Ventures Inc. ("Westhaven"), a company with a common director.

During the year ended January 31, 2014, the Company received common shares of a TSX-V company with a fair value of $10,000 (January 31, 2013 - $9,500) pursuant to a property option agreement (Note 9). In fiscal 2013, the Company received gross proceeds of $11,910 from the sale of marketable securities and recognized a $2,410 gain from this sale.

During the year ended January 31, 2013, the Company wrote-down its marketable securities by $37,975 to an estimated net realizable value of $13,525, since the decline in the fair value of the marketable securities was deemed to be other than temporary.

### b) Investment in North Arrow Minerals Inc. ("North Arrow")

| | **January 31, 2014** | | | January 31, 2013 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Unrealized Gain*** | **Fair Market Value** | Cost | Reversal of Previous Unrealized Losses and Permanent loss * | Fair Market Value |
| Investment in North Arrow | **$ 35,490** | **$ 56,784** | **$ 92,274** | $ 240,979 | $ (120,489) | $ 120,490 |

*before deferred taxes

North Arrow and the Company are related by virtue of two common directors. During the year ended January 31, 2014, the Company received gross proceeds of $100,135 from the sale of 340,000 North Arrow common shares and recognized a gain of $15,135 from the sale.

During the year ended January 31, 2013, the Company wrote-down its investment in North Arrow, consisting of 481,961 common shares (on a post-consolidation basis) by $120,489 to an estimated net realizable value of $120,490, since the decline in the fair value of the investments was deemed to be other than temporary.

## 6. RECEIVABLES

| | **January 31, 2014** | January 31, 2013 |
|---|---|---|
| HST/GST receivables | **$ 171** | $ 3,735 |
| Mineral exploration tax credit receivable | **-** | 11,274 |
| Related party receivables | **2,575** | 40,241 |
| Total | **$ 2,746** | $ 55,250 |

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **January 31, 2014** | January 31, 2013 |
|---|---|---|
| Trade payables | **$ 3,931** | $ 10,604 |
| Accrued liabilities | **16,792** | 63,776 |
| Total | **$ 20,723** | $ 74,380 |

## 8. EQUIPMENT

| | Furniture and Equipment | Computer Equipment | Software | Leasehold Improvements | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at January 31, 2012 | $ 43,041 | $ 108,706 | $ 42,532 | $ 33,912 | $ 228,191 |
| Additions | - | 14,787 | - | - | 14,787 |
| Disposals | (43,041) | (74,905) | (42,532) | (33,912) | (194,390) |
| **As at January 31, 2013 and January 31, 2014** | **$ -** | **$ 48,588** | **$ -** | **$ -** | **$ 48,588** |
| **Accumulated Depreciation** | | | | | |
| As at January 31, 2012 | $ (38,374) | $ (91,380) | $ (42,532) | $ (32,180) | $ (204,466) |
| Charge for the year | (933) | (7,416) | - | (433) | (8,782) |
| Disposals | 39,307 | 69,694 | 42,532 | 32,613 | 184,146 |
| As at January 31, 2013 | $ - | $ (29,102) | $ - | $ - | $ (29,102) |
| Charge for the year | - | (5,846) | - | - | (5,846) |
| **As at January 31, 2014** | **$ -** | **$ (34,948)** | **$ -** | **$ -** | **$ (34,948)** |
| **Net book value** | | | | | |
| As at January 31, 2013 | $ - | $ 19,486 | $ - | $ - | $ 19,486 |
| **As at January 31, 2014** | **$ -** | **$ 13,640** | **$ -** | **$ -** | **$ 13,640** |

During the year ended January 31, 2013, the Company reduced its leased office space and disposed of furniture and equipment and a portion of its computer equipment. The Company recognized a loss on the disposal of equipment of $10,244 for the year ended January 31, 2013.

## 9. EXPLORATION AND EVALUATION ASSETS

| | January 31, 2013 | Expended During The Year | Write-off of Costs and Recoveries | **January 31, 2014** |
|---|---|---|---|---|
| Gold and Base Metal Properties, British Columbia | | | | |
| Exploration costs | $ 51,405 | $ - | $ (17,641) | **$ 33,764** |
| Acquisition costs | 44,467 | - | - | **44,467** |
| Geological and assays | 66,942 | - | - | **66,942** |
| Office and salaries | 452,023 | 4,989 | (734) | **456,278** |
| Retirement costs | - | 3,600 | - | **3,600** |
| | 614,837 | 8,589 | (18,375) | **605,051** |
| Gold and Base Metal Properties, USA | | | | |
| Exploration costs | 992,014 | 2,693 | (994,707) | **-** |
| Acquisition costs | 832,166 | 2,854 | (835,020) | **-** |
| Geological and assays | 152,172 | - | (152,172) | **-** |
| Office and salaries | 754,756 | 20,751 | (775,507) | **-** |
| | 2,731,108 | 26,298 | (2,757,406) | **-** |
| **TOTAL** | $ 3,345,945 | $ 34,887 | $ (2,775,781) | **$ 605,051** |

| | January 31, 2012 | Expended During The Year | Write-off of Costs and Recoveries | **January 31, 2013** |
|---|---|---|---|---|
| Gold and Base Metal Properties, British Columbia | | | | |
| Exploration costs | $ 120,576 | $ 8,811 | $ (77,982) | **$ 51,405** |
| Acquisition costs | 91,175 | 351 | (47,059) | **44,467** |
| Geological and assays | 89,258 | 419 | (22,735) | **66,942** |
| Office and salaries | 522,299 | 61,505 | (131,781) | **452,023** |
| | 823,308 | 71,086 | (279,557) | **614,837** |
| Gold and Base Metal Properties, NWT& NU | | | | |
| Exploration costs | 7,455,612 | 6,871 | (7,462,483) | **-** |
| Acquisition costs | 30,922 | 5,833 | (36,755) | **-** |
| Geological and assays | 273,250 | 114 | (273,364) | **-** |
| Office and salaries | 1,190,589 | 6,562 | (1,197,151) | **-** |
| | 8,950,373 | 19,380 | (8,969,753) | **-** |
| Gold and Base Metal Properties, Saskatchewan | | | | |
| Exploration costs | 1,136,100 | - | (1,136,100) | **-** |
| Acquisition costs | 84,387 | - | (84,387) | **-** |
| Geological and assays | 20,161 | - | (20,161) | **-** |
| Office and salaries | 235,210 | 7,275 | (242,485) | **-** |
| | 1,475,858 | 7,275 | (1,483,133) | **-** |
| Gold and Base Metal Properties, USA | | | | |
| Exploration costs | 839,538 | 152,941 | (465) | **992,014** |
| Acquisition costs | 894,224 | 158,945 | (221,003) | **832,166** |
| Geological and assays | 126,048 | 26,124 | - | **152,172** |
| Office and salaries | 547,852 | 208,832 | (1,928) | **754,756** |
| | 2,407,662 | 546,842 | (223,396) | **2,731,108** |
| **TOTAL** | $ 13,657,201 | $ 644,583 | $ (10,955,839) | **$ 3,345,945** |

## 9. EXPLORATION AND EVALUATION ASSETS – *Continued*

During the year ended January 31, 2014, the Company wrote-off $2,757,406 (January 31, 2013 - $10,908,132) relating to the Midway and Ridgeway properties in the U.S., recorded other cash recoveries of $8,375 (January 31, 2013 - $13,207) and recorded the receipt of a cash option payment of $Nil (January 31, 2013 - $25,000), and received 100,000 common shares with a fair value of $10,000 (January 31, 2013 - $9,500) which has been recorded as a recovery in the table above.

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties is in good standing.

### Gold and Base Metal Properties, British Columbia

The Company maintains interests in various gold and base metal properties in B.C. in addition to the properties described below. During the year-ended January 31, 2014, the Company wrote off accumulated expenditures of $Nil (January 31, 2013 - $31,476) for other properties due to limited exploration activities over the preceding three fiscal years.

*Shovelnose Property*

The Company acquired, by staking, a 100% interest in certain mineral claims comprising the Shovelnose property in October 2005. The Company expanded the Shovelnose property by staking additional mineral claims in November 2008.

In January 2011, the Company signed an option agreement with Westhaven Ventures Inc. (“Westhaven”), whereby Westhaven can earn up to a 70% interest in the Shovelnose property. A director of the Company is also a director of Westhaven. Under the terms of the option agreement, Westhaven can earn an initial 51% interest in the Shovelnose property by i) incurring $1.5 million in exploration expenditures over a three year period, including a firm commitment to spend $250,000 in the first year of the agreement (completed), and ii) issuing a total of 300,000 common shares to Strongbow (completed – 100,000 common shares valued at $10,000 received in fiscal 2014). Within twelve months of having earned its 51% interest in the property, Westhaven will have the option to earn an additional 19% interest (bringing its total property interest to 70%) by i) issuing an additional 500,000 shares to the Company and ii) incurring an additional $1.5 million in exploration expenditures.

*Inza Property*

In September 2008 and February 2009, the Company acquired, by staking, a 100% interest in certain mineral claims comprising the Inza property. In February 2009, the Company acquired a 100% interest in five additional mineral claims prospective for copper-gold by issuing a total of 25,000 common shares with a fair value of $15,000 to two prospectors.

In April 2011, the Company and Xstrata Copper Canada (“Xstrata”) entered into an agreement whereby Xstrata could have earned up to a 75% interest in the Inza Properties. Under the terms of the agreement, Xstrata could have earned an initial 51% interest by making staged cash payments to the Company totaling $100,000 ($25,000 received during the year ended January 31, 2013 and $25,000 received during the year ended January 31, 2012), and by incurring cumulative exploration expenditures totaling $1.1 million over a four year period. Had Xstrata earned a 51% interest in the property, a joint venture would have been formed and Xstrata would have had the right to earn a further 24% interest (75% interest total) by funding the completion of a pre-feasibility study and a feasibility study or by incurring $20 million in expenditures towards the completion of a prefeasibility study and a feasibility study on the property. In February 2013, Xstrata provided notice to the Company that it was terminating the option agreement. Accordingly, during the year-ended January 31, 2014, the Company wrote off accumulated acquisition and exploration expenditures of $Nil (January 31, 2013 - $68,160).

## 9. EXPLORATION AND EVALUATION ASSETS – *Continued*

### Gold and Base Metal Properties, British Columbia – *Continued*

*Piltz Mountain and Mons Creek Properties*

In February 2010, the Company acquired, by staking, a 100% interest in certain mineral claims comprising the Piltz Mountain and Mons Creek exploration properties in the Chilcotin region of south British Columbia. The results of a follow up program conducted by the Company during the year-ended January 31, 2013 were disappointing and further exploration of the Piltz Mountain and Mons Creek properties is not anticipated. As a result, the Company has written off accumulated expenditures of $Nil (January 31, 2013 - $132,213) incurred evaluating these two properties.

### Gold and Base Metal Properties, Northwest Territories and Nunavut

The Company maintains interests in various gold and base metal properties in the Northwest Territories and Nunavut in addition to the properties described below.

*Opescal Lake, NWT*

The Company acquired, by staking, a 100% interest in certain mineral claims forming part of the Company's Snowbird nickel project, in December 2006. The Company wrote off accumulated expenditures of $Nil (January 31, 2013 - $358,211) due to limited exploration activities over the preceding three fiscal years. The Company retains its interest in the underlying mineral claims for the Opescal Lake, NWT property.

*Nickel King Project, NWT*

The Company holds a 100% interest in a number of mineral claims and mining leases in the southern Northwest Territories. Certain of these mining leases are subject to a 3% net smelter returns royalty ("NSR") on base and precious metals production and an additional 2% gross overriding royalty ("GOR"). The Company may purchase the entire NSR at any time for $1,500,000 and the Company may purchase one-half (1%) of the GOR at any time for $2,500,000. During the year-ended January 31, 2014, the Company wrote off accumulated expenditures of $Nil (January 31, 2013 - $8,611,542) due to limited exploration activities over the preceding three fiscal years. The Company can maintain its interest in the underlying mineral claims and mining leases for the Nickel King Project by making annual lease payments.

### Gold and Base Metal Properties, Saskatchewan

The Company maintains a 100% interest in a number of mineral claims in northern Saskatchewan that form part of the Company's Snowbird nickel project, including the Dumas Lake, Heel, Breynat and Opescal Lake (Saskatchewan) properties. In July 2012, the Company and North Arrow entered into an option agreement whereby North Arrow could have earned up to a 50% interest in the Snowbird nickel project by incurring $4 million in expenditures prior to December 31, 2016, including a firm commitment to spend $30,000 prior to December 31, 2012. The option agreement was subject to North Arrow completing an equity financing before December 31, 2012. On October 12, 2012, North Arrow provided notice to the Company that it would not proceed with the option and the option agreement was terminated. During the year-ended January 31, 2014, the Company wrote off accumulated acquisition and exploration expenditures of $Nil (January 31, 2013 - $1,483,133) due to limited exploration activities over the preceding three fiscal years. The Company is retaining its interest in the underlying mineral claims for these properties.

### Other Exploration and Generative Exploration, Canada

*Other Properties*

The Company maintains a number of mineral claims in British Columbia, Saskatchewan, and the Northwest Territories, as part of the Company's ongoing generative exploration programs.

## 9. EXPLORATION AND EVALUATION ASSETS – *Continued*

### Gold Properties, USA

*Midway Gold Project, South Carolina, USA*

Between July 2010 and September 2011, the Company entered into thirty-one property option agreements with private land owners in South Carolina (the “Midway Gold project”). The terms of the option agreements include certain annual cash payments to the landowners. If the option agreement is exercised by the Company, the Company will either purchase each property or enter into a long term mining lease with the property owner. The properties will be subject to a gross overriding royalty to the current land owners. During the year-ended January 31, 2014, due to financial constraints, the Company allowed all of the property option agreements to lapse, and as a result wrote off accumulated expenditures of $2,454,428 (January 31, 2013 - $221,003).

*Ridgeway, South Carolina, USA*

Between June 2011 and June 2012, the Company entered into nine property option agreements with private landowners to explore eighteen properties in South Carolina, USA. The terms of the option agreements included certain annual cash payments and, upon exercising an option, the Company could have purchased each property or entered into a long-term mining lease. The properties were subject to a gross overriding royalty to the current landowners. During the year-ended January 31, 2014, the Company allowed all of the property option agreements to lapse, and as a result wrote off accumulated expenditures of $302,978 (January 31, 2013 - $Nil).

## 10. CAPITAL AND RESERVES

### Authorized Share Capital

At January 31, 2014, the authorized share capital is an unlimited number of common shares without par value. All issued shares are fully paid.

### Share issuances

There were no share issuances for the year ended January 31, 2014.

In March 2012, the Company completed a non-brokered private placement of 890,000 units at a price of $1.30 per unit, for gross proceeds of $1,157,000. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share of the Company until September 9, 2013 at a price of $2.00 per common share (expired without exercise). As part of this private placement, the Company paid share issuance costs of $11,212, finder’s fees of $1,560, and issued 18,120 finder’s units. Each finder's unit has the same terms as the units issued as part of this private placement. The fair value of the finder’s shares was $23,556 and the fair value of the finder’s warrants was estimated to be $8,917 using the Black-Scholes option pricing model, with the following weighted average assumptions: risk-free interest rate – 1.17%; expected life of warrants – 1.5 years; annualized volatility – 117%; forfeiture rate and dividend rate – 0%.

### Stock options and warrants

In June 2013, the Company’s shareholders approved the Company’s Stock Option Plan (the “Plan”), which establishes a rolling number of shares issuable under the plan in the amount of 10% of the Company’s issued shares at the date of grant.

Under the terms of the Plan, the exercise price of each stock option granted cannot be less than the market price at the date of grant, less a discount up to 25% in accordance with the policies of the TSX-V. Options granted can have a term up to five years with vesting provisions determined by the directors in accordance with TSX-V policies for Tier 2 Issuers. Typically, the Company has granted stock options at or above the market price on the grant date, with a vesting period of 25% at the date of grant and 25% every six months thereafter.

## 10. CAPITAL AND RESERVES – *Continued*

### Stock options and warrants – *Continued*

As at January 31, 2014 the following stock options were outstanding:

| | Number of Shares* | | Exercise Price | Number Vested | Expiry Date |
|---|---|---|---|---|---|
| **Options** | 140,500 | $ | 1.70 | 140,500 | July 26, 2014 |
| | 163,500 | | 2.00 | 163,500 | September 23, 2015 |
| | 7,000 | | 4.20 | 7,000 | December 22, 2015 |
| | 136,000 | | 5.50 | 136,000 | April 29, 2016 |

*Subsequent to the year-ended January 31, 2014, a total of 6,000 options were cancelled

Stock option transactions are summarized as follows:

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, January 31, 2012 | 695,000 | $ | 3.80 |
| Cancelled/Expired | (183,500) | | 5.70 |
| Balance, January 31, 2013 | 511,500 | | 3.10 |
| Cancelled/Expired | (64,500) | | 3.80 |
| Balance, January 31, 2014 | 447,000 | $ | 3.00 |
| **Number of options currently exercisable as at January 31, 2014** | **447,000** | **$** | **3.00** |

Warrant transactions are summarized as follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, January 31, 2012 | - | $ | - |
| Granted | 908,120 | | 2.00 |
| Balance, January 31, 2013 | 908,120 | | 2.00 |
| Expired | (908,120) | | 2.00 |
| Balance, January 31, 2014 | - | $ | - |

### Share-based compensation

During the year ended January 31, 2014 and January 31, 2013, the Company granted no stock options. Total share-based compensation recognized due to options vested during the year ended January 31, 2014 was $Nil (January 31, 2013 - $102,470).

## 11. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties not disclosed elsewhere in these financial statements:

a) Charged rent and technical services of $9,776 (January 31, 2013 - $34,910) to North Arrow, a company with two common directors.

b) Charged administrative and technical services of $31,664 (January 31, 2013 - $29,702) to Stornoway Diamond Corporation ("Stornoway"), a company with a common officer.

c) Paid or accrued administrative and accounting services of $4,875 (January 31, 2013 - $24,717) to Stornoway.

d) Paid or accrued administrative and technical services of $983 (January 31, 2013 - $4,636) to Westhaven.

Included in receivables are amounts due from North Arrow totaling $2,431 (January 31, 2013 - $35,241) for reimbursement of exploration expenditures and shared administrative expenses paid by the Company on North Arrow's behalf.

Included in receivables are amounts due from Stornoway totaling $135 (January 31, 2013 - $5,001) for reimbursement of administrative costs paid by the Company on Stornoway's behalf.

Included in receivables are amounts due from Westhaven totaling $9 (January 31, 2013 - $Nil) for reimbursement of administrative costs paid by the Company on Westhaven's behalf.

Key management includes the Company's directors and officers. Compensation awarded to key management was as follows:

| | | **Year Ended January 31, 2014** | | Year Ended January 31, 2013 |
|---|---|---|---|---|
| Salaries and benefits[1] | **$** | **54,569** | $ | 288,514 |
| Total | **$** | **54,569** | $ | 288,514 |

1 – When key management is working specifically on exploration and evaluation assets their time is capitalized against the exploration and evaluation asset.

## 12. ASSET RETIREMENT OBLIGATION

| | | **Year Ended January 31, 2014** | | Year Ended January 31, 2013 |
|---|---|---|---|---|
| Balance – beginning of the year | **$** | **81,170** | $ | - |
| Asset retirement obligation | | **-** | | 81,170 |
| Accretion | | **569** | | - |
| Change in estimate | | **25,042** | | - |
| Balance – end of the year | **$** | **106,781** | $ | 81,170 |

The Company has recorded an asset retirement obligation, which reflects the present value of the estimated amount of undiscounted cash flow required to satisfy the asset retirement obligation in respect of the Nickel King, Dumas Lake, Shovelnose, Ridgeway and Midway properties. The pre-tax market based discount rate at which the estimated cashflows have been discounted to arrive at the obligation was 1.14% and the inflation rate was 1.40%. The undiscounted amount of inflation-adjusted estimated future cash flows is $107,889. During fiscal 2014, a total of $3,600 was capitalized to the Shovelnose property and $21,442 was charged to operations for properties previously written off.

## 13. INCOME TAXES

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

| | 2014 | 2013 |
|---|---|---|
| Loss before income taxes | $ (2,934,650) | $ (11,888,403) |
| Expected income recovery | $ 758,000 | $ 2,972,000 |
| Non-deductible expenditures | - | (41,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | 496,000 | 56,000 |
| Share issue cost | 9,000 | 9,000 |
| Changes in unrecognized deductible temporary differences | (1,263,000) | (2,996,000) |
| Income tax (expense) recovery | $ - | $ - |

The Canadian income tax rate declined during the year ended January 31, 2014 due to changes in the law that reduced corporate income tax rates in Canada.

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

| | 2014 | 2013 |
|---|---|---|
| Deferred Tax Asset (liabilities) | | |
| Exploration and evaluation assets | $ 5,595,000 | $ 4,438,000 |
| Equipment | 5,000 | 56,000 |
| Canadian eligible capital (CEC) | 96,000 | 92,000 |
| Share issue costs | 19,000 | 33,000 |
| Marketable securities | 177,000 | 167,000 |
| Allowable capital losses | 277,000 | 268,000 |
| Non-capital losses available for future period | 1,078,000 | 930,000 |
| | 7,247,000 | 5,984,000 |
| Unrecognized deferred tax assets | (7,247,000) | (5,984,000) |
| Net deferred tax assets | $ - | $ - |

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

| | 2014 | Expiry dates | 2013 |
|---|---|---|---|
| Marketable securities | $ 1,359,000 | not applicable | $ 1,334,000 |
| Equipment | 18,000 | not applicable | 224,000 |
| Share issue costs | 73,000 | 2034 to 2037 | 131,000 |
| Investment tax credits | 717,000 | 2027 to 2034 | 717,000 |
| CEC | 368,000 | not applicable | 368,000 |
| Exploration and evaluation assets | 17,842,000 | not applicable | 15,100,000 |
| Allowable capital losses | 1,065,000 | not applicable | 1,072,000 |
| Non-capital losses available for future period | 4,080,000 | 2029 to 2033 | 3,653,000 |
| Canada | 3,928,000 | 2029 to 2034 | 3,518,000 |
| USA | 152,000 | 2031 to 2034 | 135,000 |

## 14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended January 31, 2014 were:

a) The Company received 100,000 common shares of a TSX-V company with a fair value of $10,000 (Note 5).

b) The Company recognized $6,975 in unrealized losses on marketable securities and $56,789 in unrealized gains on investments through investment revaluation reserve.

c) The Company capitalized $3,600 in asset retirement obligations to exploration and evaluation assets.

The significant non-cash transactions for the year ended January 31, 2013 were:

a) The Company incurring exploration and evaluation asset expenditures of $497 that are included in accounts payable and accrued liabilities.

b) The Company received 100,000 common shares of a TSX-V company with a fair value of $9,500 (Note 5) pursuant to an exploration and evaluation asset option agreement.

c) The Company issued 181,200 units with a fair value of $23,566 for the common shares and $8,917 for the attached warrants as finder's fees.

## 15. COMMITMENTS

The Company is committed to minimum future lease payments for office premises and leased office equipment through to May 31, 2017 as follows:

| | | |
|---|---|---|
| Fiscal year ending January 31, 2015 | $ | 8,109 |
| Fiscal year ending January 31, 2016 | $ | 8,109 |
| Fiscal year ending January 31, 2017 | $ | 3,899 |
| Fiscal year ending January 31, 2018 | $ | 975 |

The Company's lease costs may be reduced due to recoveries through sub-leases.

## 16. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in capital and reserves. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company's objective for capital management is to plan for the capital required to support the Company's ongoing acquisition and exploration of its exploration and evaluation assets and to provide sufficient funds for its corporate activities.

The Company's exploration and evaluation assets are in the exploration stage. As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings and, in recent years, asset sales or exploration option agreements to finance its operations. In order to carry out the Company's planned exploration programs and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required. To effectively manage the Company's capital requirements, the Company's management has in place a planning and budgeting process. The Company is not subject to any externally imposed capital requirements.

## 17. SEGMENTED INFORMATION

The Company operates in one business segment being the exploration of exploration and evaluation assets in Canada and the United States as follows:

| | **January 31, 2014** | | | January 31, 2013 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **United States** | **Total** | Canada | United States | Total |
| Exploration and evaluation assets | **$ 605,051** | **$ -** | **$ 605,051** | $ 614,837 | $ 2,731,108 | $ 3,345,945 |
| Equipment | **13,640** | **-** | **13,640** | 19,486 | - | 19,486 |
| | **$ 618,691** | **$ -** | **$ 618,691** | $ 634,323 | $ 2,731,108 | $ 3,365,431 |

## 18. SUBSEQUENT EVENT

On May 20, 2014, the Company entered into a share purchase agreement with an arm's length third party (the "Purchaser") whereby the Purchaser acquired a 100% interest in the Company's U.S. subsidiary Palmetto in exchange for granting to the Company a 1% NSR applicable to certain properties located in South Carolina, USA. The Purchaser retains the right to purchase 50% of the NSR (0.5%) at any time for US$500,000 after which the Purchaser may acquire the remaining 50% of the NSR (0.5%) at any time for US$1,500,000.