MANITOU GOLD INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(EXPRESSED IN CANADIAN DOLLARS)

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Manitou Gold Inc.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants
Chartered Accountants
April 17, 2014

MANITOU GOLD INC.

Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2013	As at December 31, 2012
Assets		
Current		
Cash and cash equivalents (Note 5)	$ 1,373,821	$ 2,563,695
Amounts receivable and other assets (Note 6)	125,633	81,839
	1,499,454	2,645,534
Equipment (Note 8)	34,418	45,852
Mineral properties and deferred exploration expenditures (Note 9)	13,087,451	13,132,607
	$ 14,621,323	$ 15,823,993
Liabilities and Shareholders' Equity		
Current		
Amounts payable and other liabilities (Note 7)	$ 31,781	$ 106,359
Shareholders' equity:		
Share capital (Note 10)	13,779,143	13,657,143
Warrants (Note 11)	1,963,679	2,343,029
Contributed surplus	2,602,333	2,058,283
Deficit	(3,755,613)	(2,340,821)
	14,589,542	15,717,634
	$ 14,621,323	$ 15,823,993

Nature of operations and going concern (Note 1)

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

Approved on behalf of the Board:

"Todd Keast" Director **(Signed)**

"Garett MacDonald" Director **(Signed)**

MANITOU GOLD INC.

Statements of (Loss) Income and Comprehensive (Loss) Income
(Expressed in Canadian Dollars)

	Year ended December 31, 2013	Year ended December 31, 2012
General and administrative expenses		
Office and general	$ 288,265	$ 629,209
Professional fees	64,490	84,198
Project generation and evaluation	16,476	9,963
Write down of deferred exploration expenditures (Note 9)	917,704	39,384
Amortization	11,434	18,784
	1,298,369	781,538
Loss before the net finance charges and income taxes	(1,298,369)	(781,538)
Net finance charges		
Flow through premium income	-	832,000
Interest income	23,777	63,689
	23,777	895,689
(Loss) income before income taxes	(1,274,592)	114,151
Income taxes		
Recovery of deferred income taxes (Note 14)	-	(162,497)
Net (loss) income and comprehensive (loss) income	$ (1,274,592)	$ 276,648
Net (loss) income and comprehensive (loss) income per share - basic and diluted	$ (0.02)	$ 0.005
Weighted average shares outstanding - basic and diluted	53,868,850	50,500,434

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

MANITOU GOLD INC.

Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2013	Year ended December 31, 2012
Cash flows used in operating activities:		
(Loss) income for the year	$ (1,274,592)	$ 276,648
Adjustments for:		
Flow through premium income	-	(832,000)
Recovery of deferred income taxes	-	(162,497)
Write down of deferred exploration expenditures	917,704	39,384
Amortization	11,434	18,784
	(345,454)	(659,681)
Changes in non-cash working capital:		
Amounts receivable and other assets	(43,794)	99,972
Amounts payable and other liabilities	(74,578)	(375,561)
	(463,826)	(935,270)
Cash flows provided by financing activities:		
Issuance of share capital, net of share issue costs	(20,000)	585,622
	(20,000)	585,622
Cash flows used in investing activities:		
Purchase of equipment	-	(2,908)
Deferred exploration expenditures incurred	(706,048)	(3,556,111)
	(706,048)	(3,559,019)
Net change in cash and cash equivalents	(1,189,874)	(3,908,667)
Cash and cash equivalents, beginning of year	2,563,695	6,472,362
Cash and cash equivalents, end of year	$ 1,373,821	$ 2,563,695

Cash and cash equivalents consist of:

Cash	$ 62,239	$ 97,346
Cash equivalents	1,311,582	2,466,349
	$ 1,373,821	$ 2,563,695

Supplemental Disclosure

Accounts payable relating to deferred exploration expenditures incurred	$ -	$ 58,252

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

MANITOU GOLD INC.

Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, January 1, 2013	$ 13,657,143	$ 2,343,029	$ 2,058,283	$ (2,340,821)	$ 15,717,634
Net loss for the year	-	-	-	(1,274,592)	(1,274,592)
Shares issued on property acquisitions	142,000	-	-	-	142,000
Share issue costs	(20,000)	-	-	-	(20,000)
Warrants issued on property acquisitions	-	24,500	-	-	24,500
Expiration of warrants	-	(544,050)	544,050	-	-
Extension of warrants	-	140,200	-	(140,200)	-
Balance, December 31, 2013	$ 13,779,143	$ 1,963,679	$ 2,602,333	$ (3,755,613)	$ 14,589,542

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, January 1, 2012	$ 12,986,971	$ 2,848,312	$ 1,345,000	$ (2,617,469)	$ 14,562,814
Net income for the year	-	-	-	276,648	276,648
Shares and warrants issued on private placement	600,000	-	-	-	600,000
Allocated to warrants	(208,000)	208,000	-	-	-
Shares issued on property acquisitions	292,550	-	-	-	292,550
Share issue costs	(14,378)	-	-	-	(14,378)
Expiration of warrants	-	(713,283)	713,283	-	-
Balance, December 31, 2012	$ 13,657,143	$ 2,343,029	$ 2,058,283	$ (2,340,821)	$ 15,717,634

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Manitou Gold Inc. ("Manitou Gold" or "the Company") was incorporated under the Canada Business Corporations Act and is engaged in the business of locating and exploring mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company’s head office is located at 101-957 Cambrian Heights Drive, Sudbury, Ontario.

These financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company is at an exploration stage and as is common with many exploration companies, it raises financing for its exploration and acquisition activities. The Company has incurred losses in previous periods, with a current net loss of $1,274,592 for the year ended December 31, 2013 (December 31, 2012 – net income of $276,648) and has an accumulated deficit of $3,755,613 as at December 31, 2013 (December 31, 2012 - $2,340,821). In addition, the Company had working capital of $1,467,673 at December 31, 2013 (December 31, 2012 - $2,539,175).

However, the existing funds may not be sufficient to explore potential exploration project acquisitions and in due course, further funding will be required. In the event that the Company is unable to secure further financing it may not be able to complete the development of its projects.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainty.

Due to continuing operating losses and limited working capital, the Company's ability to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore, evaluate and develop mineral projects and ultimately, to achieve profitable operations. The success of these endeavors cannot be predicted at this time. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

The financial statements for the year ended December 31, 2013 (including comparatives) were approved and authorized for issue by the board of directors on April 17, 2014.

The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid money market investments such as bankers acceptance notes, treasury bills and guaranteed investment certificates, with a maturity of three months or less.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost, less their estimated residual value, using the declining balance method at the following various rates:

Equipment	-	20%, declining balance basis
Office furniture	-	20%, declining balance basis
Computer hardware	-	30%, declining balance basis
Vehicles	-	30%, declining balance basis

Computer software is amortized on a straight line basis at a rate of 100% per annum.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item consists of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Residual values, estimated useful lives and depreciation methods are reviewed at least annually.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Mineral Properties and Deferred Exploration Costs

All direct costs related to the acquisition and exploration and development of specific properties are capitalized as incurred. If a property is brought into production, these costs will be amortized against the income generated from the property. If a property is abandoned, sold or impaired, an appropriate charge will be made. Discretionary option payments arising on the acquisition of mining properties are only recognized when paid. Amounts received from other parties to earn an interest in the Company's mining properties are applied as a reduction of the mining property and deferred exploration costs, except for administrative reimbursements which are credited to operations. Any payment received that is in excess of the carrying value of the respective mining property and deferred exploration costs is recorded as income.

The amounts shown for mining claims and related deferred costs represent costs incurred to date, less amounts expensed and reimbursements, and do not necessarily reflect present or future values of the particular properties.

The recoverability of the amounts shown for mineral exploration projects is dependent upon discovery of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet obligations under various agreements, and the success of future operations or dispositions. If a project does not prove viable, all unrecoverable costs associated with the project net of any related impairment provisions are written off.

Impairment

The carrying value of all categories of equipment, as well as mineral exploration projects are reviewed at each reporting date for impairment whenever events or circumstances indicate the recoverable amount may be less than the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less costs of disposal. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

An impairment loss is recognized when the carrying value of an asset held for use exceeds its estimated recoverable amount. Impairment losses are recognized as an expense in the statements of income and comprehensive income. Assumptions, such as gold price, discount rate, and expenditures, underlying the fair value estimates are subject to risks and uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

Income tax expense comprises current and deferred income taxes. Income tax expense is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity.

Current income taxes

Current taxes are the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred income taxes

The Company accounts for income taxes under the asset and liability method. Under this method of tax allocation, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences).

Deferred income taxes are measured using the tax rates that are expected to be in effect when the temporary differences are likely to reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect on deferred income tax assets and liabilities of a change in tax rates is included in earnings in the period in which the change is substantively enacted. The amount of deferred income tax assets recognized is limited to the amount that is probable to be realized.

Flow through shares

To the extent that the Company issues common shares to subscribers on a flow through basis at a premium to the market value of non-flow through common shares, any such premium is recorded as a liability on the Company's balance sheet at the time of subscription. This liability is reduced, on a pro-rata basis, as the Company fulfills its expenditure renunciation obligation associated with such flow through share issuances, with an offsetting amount recognized as income.

A deferred income tax liability equal to the tax value of flow through expenditures renounced is recognized only once the Company has fulfilled its obligations associated with the renunciation of related flow through expenditures, with an offsetting debit to deferred tax expense. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled once related renunciation filings have been made with the appropriate taxation authorities. In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow through expenditures have been incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Stock-Based Compensation

The Company accounts for all equity-settled stock-based payments using a fair value based method incorporating the Black-Scholes model.

Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and is either recorded at the date of grant, in the case of options that vest immediately, or over the vesting period in the case of options that vest over a period of time. In the latter case, the Company estimates forfeitures at the time of grant and the amount recognized as an expense from time to time is adjusted to reflect any changes in the Company's estimate of the shares that will eventually vest and the effect of any non-market vesting conditions.

Share-based payment arrangements in which the Company receives goods or services as consideration are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of equity instruments granted.

Earnings Per Share

Basic earnings per share is computed by dividing the net (loss) income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. Fully diluted weighted-average common shares outstanding for the years ended December 31, 2013 and 2012 are not reflective of the outstanding stock options and warrants as their exercise would be anti-dilutive in the (loss) earnings per share calculation.

Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

Financial Instruments

The Company classifies all financial instruments as either held-to-maturity, fair value through profit or loss (`FVTPL`), loans and receivables, available-for-sale or other financial liabilities.

Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net income in the period in which they arise.

FVTPL financial instruments are carried at fair value with changes in fair value charged or credited to net income in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Loans and receivables are initially recognized at their fair values, with any resulting premium or discount from the face value being amortized to earnings using the effective interest method. Impairment losses are charged to net income in the period in which they arise.

Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses are charged to net income in the period in which they arise.

Other financial liabilities are initially measured at cost or amortized cost, net of transaction costs and any embedded derivatives that are not closely related to the financial liability, depending upon the nature of the instrument with any resulting premium or discount from the face value being amortized to net income using the effective interest method.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has classified its financial instruments as follows:

Financial Instrument	Classification	Fair Value Hierarchy
Cash and cash equivalents	FVTPL	Level 1
Accounts payable and accrued liabilities	Other liabilities	

Comprehensive Income

Comprehensive income measures net earnings for the period plus other comprehensive income. Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. To date there has not been any other comprehensive income and accordingly, net income equals comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Change in Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2012. Many are not applicable to, or do not have a significant impact on, the Corporation and have been excluded from the table below.

(i) IFRS 10 – Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard that identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control consists of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

(ii) IFRS 11 – Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard that focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

(iii) IFRS 12 – Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard that provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and of balance sheet vehicles. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

(iv) IFRS 13 – Fair value measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard that provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosure regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13 and further guidance has been added to the determination of classes of assets an liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurement categorized under Level 3 of the fair value hierarchy to significant unobservable inputs; and
- information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Change in Accounting Policies (Cont'd)

At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's financial statements given the existing asset and liability mix of the Company to which fair value accounting applies.

(v) IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

(vi) IAS 27 – Separate Financial Statements

IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

(vii) IAS 28 – Investments in Associates and Joint Ventures

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

Recent Accounting Pronouncements

(i) IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

The effective date of IFRS 9 was deferred to years beginning on or after January 1, 2018. Earlier application is permitted.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Recent Accounting Pronouncements (Cont'd)

(ii) IAS 32 - Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

3. CRITICAL ACCOUNTING ESTIMATES

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

- management determination project viability, all unrecoverable costs associated with projects deemed not viable net of any related impairment provisions are written off;
- the estimated useful lives and residual value of equipment which are included in the financial statements and the related depreciation included in profit or loss;
- the inputs used in accounting for share based payment transactions and in valuation of warrants included in shareholders' equity;
- management determination of the ability to raise additional capital and/or obtain financing to advance mineral projects;
- due to the complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In the opinion of management, these matters did not have a material effect on the Company's financial position or results of operations as at December 31, 2013;

3. CRITICAL ACCOUNTING ESTIMATES (Cont'd)

- the interpretation of existing tax laws or regulations in Canada which the Company's operations are located requires the use of judgment. Differing interpretation of these laws or regulations could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. In addition, the recoverability of deferred income tax assets, including expected periods of reversal of temporary differences and expectations of future taxable income, are assessed by management at the end of each reporting period;

- the inputs used in accounting for flow-through premium income; and

- management assumption of no material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the period.

4. FINANCIAL RISK FACTORS

The Company is exposed to credit risk, market risk (consisting of interest rate risk), and liquidity risk.

(a) Credit Risk

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company mitigates its exposure to credit loss by placing its cash with major financial institutions.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices and is comprised of two types of risk: interest rate risk and other price risk.

(i) Interest rate risk arises because of changes in market interest rates.

(ii) Other price risk is risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's cash and cash equivalents are subject to minimal risk of changes in value and are readily convertible into cash.

4. FINANCIAL RISK FACTORS (Cont'd)

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they come due. The Company's investment policy is to invest its excess cash in high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of expenditures for continuing operations. Accounts payable and accrued liabilities are all current. The Company monitors its liquidity position and budgets future expenditures, in order to ensure that it will have sufficient capital to satisfy liabilities as they come due.

As at December 31, 2013, the Company has accounts payable and other liabilities of $31,781 (December 31, 2012 - $106,359) due within 12 months and has cash and cash equivalents of $1,373,821 (December 31, 2012 - $2,563,695) to meet its current obligations. As a result the Company has minimal liquidity risk.

5. CASH AND CASH EQUIVALENTS

	As at December 31, 2013	As at December 31, 2012
Cash	$ 62,239	$ 97,346
Guaranteed investment certificates	1,311,582	2,466,349
Total	$ 1,373,821	$ 2,563,695

6. AMOUNTS RECEIVABLE AND OTHER ASSETS

	As at December 31, 2013	As at December 31, 2012
Sales tax receivable – (Canada)	$ 5,804	$ 51,941
Prepaid expenses	119,829	29,898
Total	$ 125,633	$ 81,839

7. AMOUNTS PAYABLE AND OTHER LIABILITIES

	As at December 31, 2013	As at December 31, 2012
Falling due within the year		
Trade payables	$ 13,781	$ 81,359
Accrued liabilities	18,000	25,000
Total	$ 31,781	$ 106,359

8. EQUIPMENT

December 31, 2013		Cost		Amortization Expense		Accumulated Amortization		Net
Equipment	$	29,507	$	4,249	$	12,511	$	16,996
Office furniture		3,709		534		1,573		2,136
Computer software		8,119		100		8,119		-
Computer hardware		6,129		1,357		2,963		3,166
Vehicles		29,100		5,194		16,980		12,120
	$	76,564	$	11,434	$	42,146	$	34,418

There were no additions or disposals of equipment during the year ended December 31, 2013.

December 31, 2012		Cost		Amortization Expense		Accumulated Amortization		Net
Equipment	$	29,507	$	5,311	$	8,262	$	21,245
Office furniture		3,709		668		1,039		2,670
Computer software		8,119		3,643		8,019		100
Computer hardware		6,129		1,741		1,606		4,523
Vehicles		29,100		7,421		11,786		17,314
	$	76,564	$	18,784	$	30,712	$	45,852

During the year ended December 31, 2012, the Company purchased computer hardware in the amount of $4,243, computer software in the amount of $200 and disposed of computer hardware with a cost of $3,320 and accumulated amortization of $1,785.

9. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

		December 31, 2012		Additions		Write-offs		December 31, 2013
Kenwest [a]	$	5,172,510	$	55,469	$	-	$	5,227,979
Canamerica [b]		1,024,379		14,554		-		1,038,933
Higbee [c]		40,254		-		-		40,254
Sherridon[d]		1,370,813		1,534		-		1,372,347
Gaffney Extension[e]		4,175,134		240,433		-		4,415,567
Harper Lake[f]		99,271		45,688		-		144,959
Mosher Bay[g]		385,254		902		(386,156)		-
Merrill[h]		154,881		-		(154,881)		-
West Limb[i]		376,667		-		(376,667)		-
Elora[j]		333,444		513,968		-		847,412
	$	13,132,607	$	872,548	$	(917,704)	$	13,087,451

9. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

	December 31, 2011	Additions	Write-offs	December 31, 2012
Kenwest [(a)]	$ 4,505,618	$ 666,892	$ -	$ 5,172,510
Canamerica [(b)]	931,949	92,430	-	1,024,379
Higbee [(c)]	40,254	-	-	40,254
Sherridon[(d)]	1,081,449	289,364	-	1,370,813
Gaffney Extension[(e)]	2,127,041	2,048,093	-	4,175,134
Harper Lake[(f)]	60,290	38,981	-	99,271
Mosher Bay[(g)]	77,074	308,180	-	385,254
Merrill[(h)]	123,098	31,783	-	154,881
West Limb[(i)]	318,305	58,362	-	376,667
Elora[(j)]	-	333,444	-	333,444
Sunshine Lake[(k)]	-	39,384	(39,384)	-
	$ 9,265,078	$ 3,906,913	$ (39,384)	$ 13,132,607

For details on the deferred expenditures see the attached schedules on pages 31 and 32.

(a) Kenwest Property – Kenora Mining Division, Ontario

Pursuant to a share purchase agreement dated June 30, 2009, as amended, the Company acquired 60% of the issued and outstanding shares of Kenwest Mines Limited ("Kenwest"), which held a 100% undivided interest and title in 32 patented mining claims and 10 mining licenses of occupation in the Township of Boyer Lake, Kenora Mining Division (collectively, the "Kenwest Property"). Consideration paid to acquire the shares consisted of a cash payment of $75,000, the issuance of an initial 255,000 shares of the Company, and the issuance of such further shares of the Company as are required to ensure that the total shares issued to the vendor continue to represent 15% of the aggregate issued and outstanding shares of the Company until such time that the vendor has received 4,000,000 shares of the Company (fulfilled, April 18, 2011). These shares have been valued based on the equity instruments granted. In addition, amounts are due upon the occurrence of future events as follows:

i) $249,742 if the Company has cash and cash equivalents, on a combined basis, in excess of $6 million, (paid during 2011); and

ii) $2,000,000 if the Company prepares a valid National Instrument 43-101 report indicating a measured and indicated mineral resource on, in or under the property, of at least two million ounces of gold or gold equivalent.

9. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

(a) Kenwest Property – Kenora Mining Division, Ontario (Cont'd)

Pursuant to the share purchase agreement, the Company is required to incur exploration expenditures on the property as follows:

i) $400,000 prior to June 30, 2010 (incurred);

ii) an additional $600,000 prior to June 30, 2011 (incurred); and

iii) an additional $1,000,000 prior to June 30, 2012 (incurred).

If these expenditure requirements are not met then the property may be returned to the vendor, at the vendor's option.

On December 7, 2009, the Ontario Superior Court of Justice granted an order stating that, as of December 7, 2009 the only issued and outstanding shares in the capital of Kenwest are the shares owned by the Company and that any shares issued at any time prior to December 7, 2009 are forever extinguished and any and all claims against Kenwest and the Company arising out of or relating to any such right, title and interest shall be asserted no later than December 6, 2010 and only against a fund of $50,000 which has been established by the Company. As at December 6, 2010, no claims had been asserted against the $50,000. Accordingly, pursuant to an order of the Ontario Superior Court of Justice dated October 18, 2011, the funds were transferred by the Company to a charity during 2011, as directed.

As the acquisition of Kenwest did not meet the definition of a "business," the Company accounted for the transaction as an option to acquire an asset, being the Kenwest Property. This accounting treatment reflected the fact that, if the above expenditure requirements are not met, the Kenwest Property will be returned to the vendor, at the vendor's option. In this regard, the Company also accounted for the transaction in a manner that reflected the substance of the transaction, notwithstanding the legal form of the transaction.

As the substance of the above agreement is an option to acquire an interest in the property and accordingly, has been accounted for as such, by not consolidating these financial statements with those of Kenwest.

9. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

(b) Canamerica Property – Kenora Mining Division, Ontario

Pursuant to an option agreement dated June 3, 2009, the Company was granted an option to acquire 7 unpatented mining claims in the Township of Boyer Lake, Kenora Mining Division (collectively, the "Canamerica Optioned Property"). Pursuant to the option agreement, the Company can exercise its option to acquire the Canamerica Optioned Property by making cash payments totaling $80,000, issuing a total 800,000 common shares and granting a 2.5% net smelter royalty ("NSR"). The Company can purchase 1% of the NSR for $1,000,000. The payments and share issuances will be made in equal increments of $20,000, and 200,000 shares, respectively. Moreover, the payments and issuances will be made upon the effective date of the agreement, as well as on or prior to each of the first, second, and third anniversaries of the effective date thereafter. To date the Company has paid $80,000 and issued 800,000 shares. The shares have been valued based on the equity instruments granted. Since entering into the option agreement, the Company acquired a 100% beneficial interest in an additional 19 claims that were contiguous to the Canamerica Optioned Property (the Canamerica Optioned Property and 19 additional claims collectively referred to as the "Canamerica Property"). These additional 19 claims are also subject to the NSR to which the Canamerica Optioned Claims are subject, as described above.

(c) Higbee Property – Kenora Mining Division, Ontario

Pursuant to an agreement dated June 3, 2009, the Company acquired a 100% undivided interest and title in 19 unpatented mining claims in the Townships of Fisher Lake, Garnet Bay, Kenora Mining Division (the "Higbee Property"). Consideration paid to acquire the property consisted of a cash payment of $10,000, the issuance of 500,000 shares of the Company, and the granting to the vendor of a 1% net smelter return royalty. The shares have been valued based on the equity instruments granted. During 2010, the Company allowed 16 of those claims to lapse. The Company maintains a 100% interest in the remaining 3 claims.

During 2011, the Company decided not to continue further exploration on the Higbee Property. As a result, the Company wrote off all the previously deferred exploration costs associated with this property. The Company continues to maintain a 100% interest in the remaining 3 claims, all of which are in good standing. The current carrying value of the property is equal to the cumulative acquisition costs previously incurred in respect of the property.

9. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

(d) Sherridon Property – Kenora Mining Division, Ontario

Pursuant to a letter agreement, the Company was granted an option to acquire 3 unpatented mining claims in the Townships of Mang Lake and Lower Manitou Lake, Kenora Mining Division (the "Sherridon Optioned Property"). Pursuant to the letter agreement, the Company can exercise its option to acquire the Sherridon Property by making cash payments totaling $98,500 and issuing a total of 200,000 shares of the Company, over a three year period. To date $98,500 has been paid and 200,000 shares have been issued pursuant to the letter agreement. The shares have been valued based on the equity instruments granted. The agreement is also subject to a 2% NSR. The Company can purchase 1% of the NSR for $1,000,000. Since entering into the option agreement, the Company acquired a 100% beneficial interest in an additional 23 claims that were contiguous to the Sherridon Optioned Property (the Sherridon Optioned Property and the additional 23 claims collectively referred to as the “Sherridon Property”).

(e) Gaffney Extension Property – Kenora Mining Division, Ontario

Pursuant to a letter agreement dated January 31, 2011, the Company was granted an option to acquire 1 unpatented mining claim in the Township of Lower Manitou Lake, Kenora Mining Division (the "Gaffney Extension Property"). Pursuant to the letter agreement, the Company can exercise its option to acquire the Gaffney Extension Property by making cash payments totaling $70,000 and issuing a total of 700,000 shares of the Company, over a three year period. During the year ended December 31, 2013, the Company issued a cash payment in the amount of $17,500 (2012 - $17,500) and issued 175,000 shares (2012 – 175,000 shares) of the Company (Note 10). To date $52,500 has been paid and 525,000 shares have been issued pursuant to the letter agreement. The shares have been valued based on the equity instruments granted. The agreement is also subject to a 2.5% NSR. The Company can purchase 1.25% of the NSR for $1,250,000.

The Company also holds 14 additional unpatented mining claims in the Townships of Lower Manitou Lake and Mang Lake, Kenora Mining Division.

Pursuant to an agreement dated January 31, 2012, the Company purchased a 100% interest in two non-contiguous claims (the "Aaronson Creek Claims") that are located within the outer property boundary of the Company’s Gaffney Extension claims. The Company issued payment of $10,000 in cash and 25,000 common shares of the Company, both due on closing. The shares have been valued based on the equity instruments granted. The vendors of the Aaronson Greek claims will be entitled to an NSR of 2% on production generated on the claims. The Company may purchase 1% of the NSR (resulting in the optionors holding a 1% NSR) by making a cash payment of $1,000,000.

9. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

(e) Gaffney Extension Property – Kenora Mining Division, Ontario (Cont'd)

Pursuant to an asset transfer agreement dated September 27, 2013, the Company purchased a 100% interest in 12 patented mining claims and 2 mining licenses of occupation (the "Gaffney Patents") that are located adjacent to the Company's Gaffney Extension claims. The Company issued 1,000,000 common shares of the Company as well as 1,000,000 share purchase warrants of the Company, both due on closing (Notes 10 and 11). The shares have been valued based on the equity instruments granted and the share purchase warrants have been valued based on an estimate using the Black-Scholes pricing model. The vendors of the Gaffney Patents will be entitled to an NSR of 2% on production generated on the Gaffney Property. The Company may purchase 1% of the NSR (resulting in the optionors holding a 1% NSR) by making a cash payment of $1,000,000.

(f) Harper Lake - Kenora Mining Division, Ontario

Pursuant to a letter agreement dated May 20, 2011, the Company has closed its acquisition of a 100% interest in the property known as the Harper Lake property consisting of 7 claims (73 claim units) in northwestern Ontario. Under the terms of the acquisition agreement, the Company acquired its 100% interest in the Harper Lake property in exchange for the payment of $25,000 in cash and the issuance of an aggregate of 50,000 common shares of the Company. The shares have been valued based on the equity instruments granted.

(g) Mosher Bay - Kenora Mining Division, Ontario

Pursuant to an agreement dated June 10, 2011, the Company agreed to acquire 12 mining claims (the "Mosher Bay Property"). The Company can acquire a 100% interest in the Mosher Bay Property, in exchange for the payment of $155,000 in cash, the issuance of 200,000 common shares of the Company, and the completion of a $200,000 work commitment, all over a four year period. To date, $25,000 has been paid and 50,000 shares have been issued pursuant to the agreement. The shares have been valued based on the equity instruments granted. The agreement is also subject to a 2% NSR on production generated on the project. The Company may purchase 1% of the NSR (resulting in the optionors holding a 1% NSR) by making a cash payment of $1,000,000.

During 2013, the Company decided not to continue further exploration on the Mosher Bay Property. As a result, the Company wrote off all the previously deferred exploration costs and acquisition costs associated with this property.

9. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

(h) Merrill - Kenora Mining Division, Ontario

Pursuant to a letter agreement dated September 13, 2011, the Company was granted an option to acquire 3 patented mining claims (the "Merrill Patents') situated within the Company's existing West Limb group of claims. The Company can acquire a 100% interest in the Merrill Patents, in exchange for the payment of $125,000 in cash, the issuance of 200,000 common shares of the Company, and the completion of a $250,000 work commitment, all over a three year period. To date, $40,000 has been paid and 60,000 shares have been issued pursuant to the agreement and incurred $87,500 in expenditures. The shares have been valued based on the equity instruments granted. The agreement is subject to a 2% NSR on production generated on the project. The Company may purchase 1% of the NSR (resulting in the optionors holding a 1% NSR) by making a cash payment of $1,000,000.

During 2013, the Company decided not to continue further exploration on the Merrill Property. As a result, the Company wrote off all the previously deferred exploration costs and acquisition costs associated with this property.

(i) West Limb - Kenora Mining Division, Ontario

Pursuant to the West Limb Option Agreement dated May 9, 2011, the Company can acquire a 100% interest to acquire 12 mining claims, in exchange for the payment of $190,000 in cash and the issuance of 400,000 common shares of the Company over a three year period. To date, $40,000 has been paid and 200,000 shares have been issued pursuant to the agreement. The shares have been valued based on the equity instruments granted. The agreement is subject to a 2% NSR on production generated on the project. The Company may at any time purchase 1% of the NSR from the optionor (resulting in the optionor holding a 1% NSR) by making a cash payment of $1,000,000.

During 2013, the Company decided not to continue further exploration on the West Limb Property. As a result, the Company wrote off all the previously deferred exploration costs and acquisition costs associated with this property.

(j) Elora - Kenora Mining Division, Ontario

Pursuant to an agreement dated May 31, 2012, the Company can acquire a 100% interest in the 14 patented Elora claims and one mining license of occupation, in exchange for the payment of $200,000 in cash and the issuance of 2,000,000 common shares of the Company, and the completion of a $2,500,000 work commitment, all over a three year period, as well as the assumption of a $20,000 annual advance royalty payment payable on an underlying 2.5% net smelter royalty held by the prior property owner. During the year ended December 31, 2013, the Company issued a cash payment in the amount of $40,000 (2012 - $30,000) and issued 500,000 shares (2012 – 500,000 shares) of the Company (Note 10). To date, $70,000 has been paid and 1,000,000 shares have been issued pursuant to the agreement and the Company has incurred $590,000 in expenditures. The shares have been valued based on the equity instruments granted. The agreement is subject to a 0.5% NSR when gold is below US$1,250/oz and such NSR rate increasing in increments as the price of gold increases, up to a maximum NSR rate of 1.5% in the event that gold exceeds US$2,500/oz.

9. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

(k) Sunshine Lake - Kenora Mining Division, Ontario

Pursuant to an agreement dated January 3, 2012, the Company can acquire a 100% interest in the 20 Sunshine Lake claims, in exchange for the payment of $105,000 in cash and the issuance of 200,000 common shares of the Company over a four year period. To date, $14,000 has been paid and 30,000 shares have been issued pursuant to the agreement. The shares have been valued based on the equity instruments granted. The agreement is subject to a 2% NSR on production generated on the project. The Company may at any time purchase 1% of the NSR from the optionor (resulting in the optionor holding a 1% NSR) by making a cash payment of $1,000,000.

During 2012, the Company decided not to continue further exploration on the Sunshine Lake Property. As a result, the Company wrote off all the previously deferred exploration costs and acquisition costs associated with this property.

10. SHARE CAPITAL

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

At December 31, 2013, the issued share capital amounted to $13,779,143. The change in issued share capital for the periods presented were as follows:

	Number of Shares	Amount
Balance at January 1, 2012	**48,022,411**	**$ 12,986,971**
Shares issued on property acquisitions (Note 9)	1,150,000	292,550
Flow through shares and warrants issued on private placement(i)	4,000,000	600,000
Allocated to warrants	-	(208,000)
Shares issue costs (net of tax)	-	(14,378)
Balance at December 31, 2012	**53,172,411**	**$ 13,657,143**
Shares issued on property acquisitions (Note 9)	1,675,000	142,000
Shares issue costs (net of tax)	-	(20,000)
Balance at December 31, 2013	**54,847,411**	**$ 13,779,143**

10. SHARE CAPITAL (Cont'd)

(i) On September 18, 2012, the Company issued 4,000,000 flow through units for gross proceeds of $600,000. Each unit consists of one flow through common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one additional non-flow through common share of the Company at an exercise price of $0.25 per share for a period of 24 months. Provided that if, at any time after January 18, 2013, the closing price of the common shares of the Company on the TSX Venture Exchange or such other stock exchange where the majority of voting occurs, exceeds $0.40 for more than 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following the provision of written notice by the Company advising holders of the Accelerated Expiry Date.

11. WARRANTS

The following table reflects the continuity of warrants for the year ended December 31, 2013 and December 31, 2012:

	Number of Warrants	Weighted Average Exercise Price
Balance at January 1, 2012	**14,122,039**	**$0.61**
Warrants granted	4,000,000	$0.25
Warrants expired	(1,925,000)	$0.75
Balance at December 31, 2012	**16,197,039**	**$0.49**
Warrants granted[a]	1,000,000	$0.50
Warrants expired	(6,070,000)	$0.44
Balance at December 31, 2013	**11,127,039**	**$0.52**

(a) The warrants issued in 2013 were valued based on the equity granted since the value of the asset obtained was not reliably determinable.

The Company had the following warrants outstanding at December 31, 2013:

Number of Warrants	Exercise Price	Expiry Date
5,900,000	$0.70	March 29, 2014
227,039	$0.70	April 18, 2014
4,000,000	$0.25	September 18, 2014
1,000,000	$0.50	October 23, 2015
11,127,039		

11. **WARRANTS** (Cont'd)

The weighted average fair value of the warrants granted in the year was estimated at $0.036 (2012 - $0.05) by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2013	2012
Share price	$0.06	$0.14
Risk-free interest rate	1.10%	1.10%
Dividend yield	0.00%	0.00%
Volatility	158%	130%
Expected life	2 years	2 years

In February 2013, the Directors of the Company approved the extension to the term of certain warrants.

- 5,900,000 warrants were issued by the Company as part of a private placement financing that closed on March 29, 2011. Each warrant was originally exercisable to purchase one common share of the Company at a price of $0.70 per share until March 29, 2013. The extension of the date of expiry of the warrants to March 29, 2014 was approved by the Directors and the TSX Venture Exchange.

- 227,039 warrants were issued by the Company as part of a private placement financing that closed on April 18, 2011. Each warrant was originally exercisable to purchase one common share of the Company at a price of $0.70 per share until April 18, 2013. The extension of the date of expiry of the warrants to April 18, 2014 was approved by the Directors and the TSX Venture Exchange.

The Company has recorded the total incremental difference of $140,200 as a capital transaction to deficit based on the fair value of these warrants immediately prior to and after the modification.

The 5,900,000 warrants were valued prior to the extension using the Black-Scholes option pricing model parameters as listed below:

Share price	$0.13
Risk-free interest rate	1.00%
Dividend yield	0.00%
Volatility	137%
Expected life	0.07 years

The 5,900,000 warrants, based on the new terms of the warrants, were valued using the Black-Scholes option pricing model parameters as listed below:

Share price	$0.13
Risk-free interest rate	1.00%
Dividend yield	0.00%
Volatility	141%
Expected life	1.07 years

11. WARRANTS (Cont'd)

The 227,039 warrants were valued prior to the extension using the Black-Scholes option pricing model parameters as listed below:

Share price	$0.13
Risk-free interest rate	1.00%
Dividend yield	0.00%
Volatility	186%
Expected life	0.13 years

The 227,039 warrants, based on the new terms of the warrants, were valued using the Black-Scholes option pricing model parameters as listed below:

Share price	$0.13
Risk-free interest rate	1.00%
Dividend yield	0.00%
Volatility	138%
Expected life	1.13 years

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

12. STOCK OPTIONS

The Company has a formal stock option plan (the "Plan"). The Plan is referred to as a "floating" plan and provides for an aggregate number of shares reserved for issuance of up to 10% of the Company's issued common shares at the time of the grant of a stock option under the Plan. Options granted under the plan generally vested upon issuance.

The following table reflects the continuity of stock options for the year ended December 31, 2013 and December 31, 2012:

	Number of Options	Weighted Average Exercise Price
Balance at January 1, 2012	**4,050,000**	**$0.48**
Stock options expired	(600,000)	$0.30
Balance at December 31, 2012	**3,450,000**	**$0.51**
Stock options expired	(1,610,000)	$0.45
Balance at December 31, 2013	**1,840,000**	**$0.56**

12. STOCK OPTIONS (Cont'd)

The Company had the following stock options outstanding as of December 31, 2013:

Number of Options	Exercisable	Exercise Price	Expiry Date
1,840,000	1,840,000	$ 0.56	April 20, 2014

13. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The noted transactions below are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

During the year, the Company incurred $37,542 (2012 - $19,000) to Marrelli Support Services Inc. ("MSSI") for the services of Carmelo Marrelli to act as Chief Financial Officer ("CFO") of the Company. Carmelo Marrelli is the president of MSSI. As at December 31, 2013, MSSI was owed $nil (December 31, 2012 - $nil).

During the year, the Company incurred $24,373 (2012 - $9,041) to DSA Corporate Services Inc. ("DSA"). Fees related to corporate secretarial and corporate filing services provided by DSA. DSA is a private company controlled by Carmelo Marrelli, the CFO of the Company. Carmelo Marrelli is also the corporate secretary and sole director of DSA. As at December 31, 2013, DSA was owed $3,433 (December 31, 2012 - $1,695) and these amounts were included in amounts payable and other liabilities.

Salaries paid to key management personnel for the year ended December 31, 2013 totaled $217,042 (2012 - $587,417). Key management personnel are comprised of the Company's former and current Chief Executive Officer, the Company's President, the Company's former and current Chief Financial Officer, and directors. The Board of Directors and officers do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services and officers are entitled to stock options for their services.

To the knowledge of the directors and executive officers of the Company, as at December 31, 2013, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all the common shares of the Company.

13. RELATED PARTY BALANCES AND TRANSACTIONS (Cont'd)

To the knowledge of the directors and executive officers of the Company as of December 31, 2013, the common shares of the Company were widely held. As of December 31, 2013, directors and officers of the Company control an aggregate of 1,003,000 common shares or approximately 1.83% of the shares outstanding. These holdings can change at any time at the discretion of the owner.

The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

14. INCOME TAXES

Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in the financial statements:

	2013	2012
(Loss) income before income taxes	**$ (1,274,592)**	$ 114,151
Statutory rate	**26.50%**	26.50%
Expected income tax expense (recovery)	**(337,767)**	30,250
Non-deductible expenses	**243,301**	(26,644)
Change in deferred taxes not recognized	**99,766**	26,391
Share issue costs	**(5,300)**	(3,595)
Change in expected tax rates and other	**-**	31,581
Flow through premium income	**-**	(220,480)
Income tax expense (recovery)	**$ -**	**$ (162,497)**

14. INCOME TAXES (Cont'd)

Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

		2013		2012
Non-capital loss carry forwards	$	**861,161**	$	697,775
Share issue costs and other		**132,265**		195,885
Mineral properties and deferred exploration costs		**(865,685)**		(865,685)
		127,741		27,975
Less: Deferred taxes not recognized		**(127,741)**		(27,975)
Total deferred income tax asset (liability)	$	**-**	$	-

The Company has not recorded any deferred income tax asset because it believes it is not probable that sufficient taxable income will be realized during the carryforward period to utilize the deferred income tax asset.

Loss Carry Forwards

As at December 31, 2013, the Company has non-capital tax loss carryforwards of $3,249,000 expiring as follows:

2029	$	109,000
2030		506,000
2031		997,000
2032		1,020,000
2033		617,000
	$	**3,249,000**

15. CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with government agencies, suppliers, consultants, and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

16. SEGMENTED INFORMATION

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts.

17. CAPITAL RISK MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and

- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, warrants, contributed surplus and deficit, which at December 31, 2013, totaled $14,589,542 (December 31, 2012 - $15,717,634).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2013. The Company is not subject to any external capital requirements.

MANITOU GOLD INC.

Schedules of Mineral Properties and Deferred Exploration Expenditures and Project Generation and Evaluation Expenditures

(in CAD $)

December 31, 2013

	Kenwest $	Canamerica $	Higbee $	Sherridon $	Gaffney Extension $	Harper Lake $	Mosher Bay $	West Limb/ Merrill $	Elora $	Total $
Balance, beginning of year	5,172,510	1,024,379	40,254	1,370,813	4,175,134	99,271	385,254	531,548	333,444	13,132,607
Acquisition costs										
Issuance of shares and warrants	-	-	-	-	126,500	-	-	-	40,000	166,500
Property tax/carrying cost	3,089	-	-	-	523	-	-	-	-	3,612
Option payments	-	-	-	-	17,500	-	-	-	60,000	77,500
	3,089	-	-	-	144,523	-	-	-	100,000	247,612
Deferred exploration expenditures										
Travel and consumables	423	132	-	179	8,861	4,836	-	-	32,624	47,055
Consultants	5,344	-	-	469	5,550	450	902	-	6,331	19,046
Insurance	932	432	-	-	2,133	1,370	-	-	4,701	9,568
Wages and benefits	33,324	11,485	-	810	58,824	25,372	-	-	140,797	270,612
Analysis	6,525	2,205	-	-	6,743	443	-	-	49,699	65,615
Field supplies	5,832	300	-	76	1,696	1,237	-	-	23,100	32,241
Field office	-	-	-	-	-	-	-	-	465	465
Stripping and trenching	-	-	-	-	1,030	-	-	-	-	1,030
Drilling	-	-	-	-	11,073	11,980	-	-	156,251	179,304
	52,380	14,554	-	1,534	95,910	45,688	902	-	413,968	624,936
Write-down of acquisition and deferred exploration costs	-	-	-	-	-	-	(386,156)	(531,548)	-	(917,704)
Net change for the year	55,469	14,554	-	1,534	240,433	45,688	(385,254)	(531,548)	513,968	(45,156)
Balance, end of year	5,227,979	1,038,933	40,254	1,372,347	4,415,567	144,959	-	-	847,412	13,087,451

MANITOU GOLD INC.

Schedules of Mineral Properties and Deferred Exploration Expenditures and Project Generation and Evaluation Expenditures

(in CAD $)

December 31, 2012

	Kenwest $	Canamerica $	Higbee $	Sherridon $	Gaffney Extension $	Harper Lake $	Mosher Bay $	West Limb/ Merrill $	Sunshine Lake $	Elora $	Total $
Balance, beginning of year	4,505,618	931,949	40,254	1,081,449	2,127,041	60,290	77,074	441,403	-	-	9,265,078
Acquisition costs											
Issuance of shares	-	38,000	-	12,500	91,750	-	5,700	28,600	13,500	102,500	292,550
Legal and TSX shares	-	-	-	208	1,295	-	-	-	2,295	4,656	8,454
Staking	-	-	-	-	7,600	-	-	4,275	-	-	11,875
Property tax/carrying cost	2,574	-	-	-	52	-	-	367	-	20,000	22,993
Option payments	-	20,000	-	50,000	27,500	-	15,000	50,000	14,000	30,000	206,500
	2,574	58,000	-	62,708	128,197	-	20,700	83,242	29,795	157,156	542,372
Deferred exploration expenditures											
Travel and consumables	16,047	338	-	4,166	119,606	324	8,880	-	-	17,890	167,251
Geophysical services	-	-	-	-	30,325	-	-	-	-	-	30,325
Consultants	28,216	7,763	-	9,878	67,825	2,200	26,000	3,572	5,400	59,250	210,104
Insurance	1,847	-	-	877	6,451	-	1,501	-	-	741	11,417
Wages and benefits	88,193	5,723	-	23,127	234,190	4,445	52,243	3,331	4,189	57,314	472,755
Analysis	31,670	474	-	14,721	89,812	-	15,879	-	-	24,170	176,726
Field supplies	38,690	-	-	1,301	90,355	-	3,612	-	-	16,458	150,416
Field office	3,256	-	-	-	9,028	-	-	-	-	465	12,749
Line cutting	-	13,794	-	1,100	26,271	25,087	-	-	-	-	66,252
Stripping and trenching	-	-	-	-	8,241	-	-	-	-	-	8,241
Drilling	456,399	6,338	-	171,486	1,237,792	6,925	179,365	-	-	-	2,058,305
	664,318	34,430	-	226,656	1,919,896	38,981	287,480	6,903	9,589	176,288	3,364,541
Write-down of acquisition and deferred exploration costs	-	-	-	-	-	-	-	-	(39,384)	-	(39,384)
Net change for the year	666,892	92,430	-	289,364	2,048,093	38,981	308,180	90,145	-	333,444	3,867,529
Balance, end of year	5,172,510	1,024,379	40,254	1,370,813	4,175,134	99,271	385,254	531,548	-	333,444	13,132,607