



Adex Mining Inc.  
Condensed Consolidated Interim Financial Statements  
March 31, 2014  
(Unaudited)

## **Management's Responsibility for unaudited condensed consolidated interim financial statements**

The accompanying unaudited condensed consolidated interim financial statements of Adex Mining Inc. (the "Company" or "Adex") are the responsibility of management and the Board of Directors.

The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed consolidated interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

DATED this 28th day of May, 2014.

ADEX MINING INC.

Per: (signed) "Yan Kim Po"  
Name: Yan Kim Po  
Title: Chief Executive Officer

Per: (signed) "Doug Bolton"  
Name: Doug Bolton  
Title: Chief Financial Officer

# ADEX Mining Inc.

## Interim Consolidated Statements of Financial Position

As at (In Canadian dollars) (Unaudited)	March 31 2014 \$	December 31 2013 \$
<b>Assets</b>		
Current		
Cash and cash equivalents	546,825	321,754
HST & other receivables	112,267	122,778
Prepaid expenses	144,440	155,318
Interest receivable	-	-
	<b>803,532</b>	<b>599,850</b>
Non-current		
Funds held by Province of New Brunswick (note 4)	1,003,830	1,001,637
Exploration and evaluation (note 5)	12,446,816	12,227,818
Tailings impoundment facility (note 5)	675,744	675,744
Property, plant & equipment, net (note 6)	54,444	60,565
<b>Total Assets</b>	<b>14,984,366</b>	<b>14,565,614</b>
<b>Liabilities</b>		
Current		
Accounts payable & accruals (note 10)	408,351	752,120
Loan payable (note 9)	1,105,300	-
Income tax payable	157,607	157,607
<b>Total Liabilities</b>	<b>1,671,258</b>	<b>909,727</b>
<b>Shareholders' equity</b> (note 7)		
Share capital	51,169,336	51,169,336
Contributed surplus	2,786,427	2,770,582
Deficit	(40,642,655)	(40,284,031)
	<b>13,313,108</b>	<b>13,655,887</b>
<b>Total liabilities and shareholders' equity</b>	<b>14,984,366</b>	<b>14,565,614</b>

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

Nature of operations and going concern - note 1

Commitments and contingencies - note 10

## ADEX Mining Inc.

### Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended (In Canadian dollars) (Unaudited)	March 31	
	2014	2013
	\$	\$
<b>Expenses</b>		
Administrative and general (notes 8 and 9)	249,331	262,066
Mineral property expenses	95,680	75,770
Stock-based compensation (note 7)	15,845	-
Depreciation (note 6)	689	689
<b>Total expenses</b>	<b>361,545</b>	<b>338,525</b>
Interest earned on funds on deposit	2,921	5,142
<b>Loss before income taxes</b>	<b>358,624</b>	<b>333,383</b>
Income taxes	-	-
<b>Net loss and comprehensive loss</b>	<b>358,624</b>	<b>333,383</b>
Weighted average number of shares outstanding	177,211,441	177,211,441
Basic and diluted loss per share	0.00	0.00

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

**ADEX Mining Inc.**  
**Consolidated Statements of Cash Flows**

For the three months ended (In Canadian dollars) (Unaudited)	March 31	
	2014	2013
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(358,624)	(333,383)
Items not affecting cash:		
Stock-based compensation	15,845	-
Depreciation of property, plant and equipment	6,121	5,911
Amortization of bond premium	-	5,532
	<b>(336,658)</b>	<b>(321,940)</b>
Change in non-cash working capital		
HST & other receivables	10,511	176,569
Interest receivable	-	18,105
Prepaid expenses	10,878	(21,869)
Income taxes payable	-	-
Related parties payable	-	(10,433)
Accounts payable & accruals	(343,769)	(59,342)
Cash used in operating activities	<b>(659,038)</b>	<b>(218,910)</b>
<b>Investing activities</b>		
Redemption of reclamation bonds	-	-
Additions to reclamation bonds	-	(38,036)
Increase in funds held by Province of New Brunswick	(2,193)	-
Additions to property, plant & equipment	-	-
Additions to mineral properties	(218,998)	(88,525)
Cash used in investing activities	<b>(221,191)</b>	<b>(126,561)</b>
<b>Financing activities</b>		
Loan payable	1,105,300	-
Cash used in financing activities	<b>1,105,300</b>	<b>-</b>
Change in cash and cash equivalents	<b>225,071</b>	<b>(345,471)</b>
Cash and cash equivalents, beginning of the period	<b>321,754</b>	<b>2,716,664</b>
<b>Cash and cash equivalents, end of the period</b>	<b>546,825</b>	<b>2,371,193</b>
<b>Cash and cash equivalents comprises:</b>		
Cash	(1,274)	120,755
Guaranteed investment certificate	548,099	2,250,438

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

## ADEX Mining Inc.

### Interim Consolidated Statements of Changes in Equity

(In Canadian dollars)

(Unaudited)

	Share capital	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$
<b>Balance, January 1, 2013</b>	51,169,336	2,770,582	(38,646,434)	15,293,484
Net loss and comprehensive loss	-	-	(333,383)	(333,383)
Stock option compensation expense	-	-	-	-
<b>Balance, March 31, 2013</b>	51,169,336	2,770,582	(38,979,817)	14,960,101
Net loss and comprehensive loss	-	-	(1,304,214)	(1,304,214)
Stock option compensation expense	-	-	-	-
<b>Balance, December 31, 2013</b>	51,169,336	2,770,582	(40,284,031)	13,655,887
Net loss and comprehensive loss	-	-	(358,624)	(358,624)
Stock option compensation expense	-	15,845	-	15,845
<b>Balance, March 31, 2014</b>	51,169,336	2,786,427	(40,642,655)	13,313,108

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

# **Adex Mining Inc.**

## ***Notes to the unaudited condensed consolidated interim financial statements***

**March 31, 2014**

### **1. NATURE OF OPERATIONS AND LIQUIDITY**

Adex Mining Inc. (the "Company") holds 100% of the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area of New Brunswick, Canada (the "Property" or "Mount Pleasant") where the Company is developing a potential polymetallic mine focusing on tin, indium, zinc, molybdenum and tungsten. Within the mineral rights area the Company owns approximately 405 hectares of land, plus the buildings, machinery and equipment on site which comprise the dormant Mount Pleasant mine. The Company is incorporated and domiciled in Canada and is a reporting issuer with its common shares publicly traded on the TSX-Venture exchange under the stock symbol "ADE". The principal head office of the Company is located at Suite 900, 67 Yonge Street, Toronto, Ontario, Canada M5E 1J8.

The Company has interests in resource properties which it is in the process of exploring and developing and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on resource properties, including deferred exploration expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

These unaudited condensed consolidated interim financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. For the three month period ended March 31, 2014, cash used in operations by the Company was \$659,038 and the Company carried an accumulated deficit of \$40,642,655. Furthermore, the Company had not generated revenue from operations.

The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures as required in the audited annual consolidated financial statements. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods of computation remain the same as presented in the audited annual consolidated financial statements for the year ended December 31, 2013.

There are no new IFRS and/or International Financial Reporting Interpretations Committee ("IFRIC") pronouncements issued that are effective for the first time for this interim period that would be expected to have a material impact on the Company.

### 3. ESTIMATES

The preparation of these unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, 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:

#### ***Impairment of assets***

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of recoverable amount and fair value less costs to sell. Determining the recoverable amount requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairment indicators of non-financial assets have been noted for the three month period ended March 31, 2014.

#### ***Stock-based compensation***

The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. Option pricing models require the input of highly subjective assumptions including the expected price, volatility and expected life. Changes in the input assumptions can materially affect the fair value estimate. Assumption details are discussed in the notes to the unaudited condensed consolidated interim financial statements.

#### ***Income taxes and recovery of deferred tax assets***

Deferred tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Management did not recognize deferred tax assets in excess of deferred tax liabilities as future taxable profits are not expected to until the Company reaches technical feasibility and commercial viability of the extraction of the mineral resources, the timing of which is uncertain as the Company is still in the exploration and evaluation stage.

#### ***Provision for environmental rehabilitation***

Part of the the land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property and is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and provide the Ministry of Environment with monthly water quality monitoring reports and the results of water sampling and testing, and in perpetuity, to treat the water run-off. As the Company's activities currently don't affect the nature and amount of this run-off, the Company treats these costs as a period expense and has made no provision for this on-going activity.

#### 4. RECLAMATION BONDS AND ASSET RETIREMENT OBLIGATIONS

The land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property. This obligation is secured by a form of lien titled “collateral mortgage” to the Province of New Brunswick for \$2 million on 22 hectares of land on which the mine site and primary buildings are located.

Reclamation bonds consist of Province of New Brunswick, 8.5% bonds which matured on June 28, 2013. The bonds were pledged as security under environmental regulations with the Province of New Brunswick to ensure adequate funding is available for perpetuity to treat the acid water run-off from the abandoned Mount Pleasant mine workings. The bonds were held for the benefit of the Company, and interest was paid bi-annually into a cash on deposit account, and was disbursed at the discretion of the Ministry of Finance of the Province of New Brunswick. Upon maturity of the bonds at June 28, 2013 the funds continue to be held on account with the N.B. government and will be redeployed as per the current requirements of the Department of Environment.

The Company’s Mount Pleasant property is governed by an Approval to Operate, which was granted by the New Brunswick Ministry of Environment (“the Department”) in November 2007 and was valid until September 2012. The approval to operate was renewed as of October 1, 2012 and is valid until September 30, 2017. Under the terms of the Approval to Operate, the Company has been granted permission by the Ministry of Environment to operate the Property, Tailings Impoundment Facility and Mine Water Treatment Plant on a “Care and Maintenance” basis and the Company is also required to submit an environmental effects monitoring report to the Province of New Brunswick no later than December 31, 2014. However, the Company is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and the Company provides the Ministry of Environment with monthly water quality monitoring reports and the results of its monthly water sampling and testing. On March 28, 2013, the Company met the requirement to submit to the Department a mine water management plan including a cost report on this new facility, a tailings flood plan and contingency plan, and a new sludge cell project proposal and timeline to complete. The plan also sets out parameters for the operation of the new mine water treatment facility to be approved and constructed, and the parameters for the operation of the tailings impoundment facility which already exists. These new plans are to be accompanied by an updated requirement to post a rehabilitation bond, which may or may not exceed the bond currently posted by Adex for this purpose.

Under the Approval to Operate, the Company is permitted to carry out exploration activities and metallurgical test work on its Mount Pleasant property. Consequently, the current security posted with the Province of New Brunswick is sufficient for the Company to continue exploration activities and metallurgical test work at the Property. However, the Company may face a review of its posted security by the Ministry of Environment when the Company advances to feasibility studies on its mineral deposits or commences the dewatering of the past-producing underground tungsten mine located on the Mount Pleasant property. Dewatering activities may also trigger a provincial Environmental Impact Assessment (“EIA”) and may require the Company to upgrade its current Mine Water Treatment Plant. The Company will, therefore, enter into direct consultations with the provincial Ministry of Environment prior to initiating feasibility or dewatering activities, in order to ascertain any changes that may be required with respect to the existing security, or any obligations that may arise under a EIA.

#### 5. EXPLORATION AND EVALUATION

<b>Mount Pleasant Property, New Brunswick</b>	Exploration & development \$	Tailings impoundment facility upgrade \$	Total \$
Balance, January 1, 2013	10,906,129	663,468	11,569,597
Additions	1,321,689	12,276	1,333,965
Balance, December 31, 2013	12,227,818	675,744	12,903,562
Additions	218,998	-	218,998
Balance, March 31, 2014	12,446,816	675,744	13,122,560

The Company holds a 100% interest in the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area. Within the mineral rights area, the Company owns approximately 405 hectares of land. Current period expenditures to March 31, 2014 are expenses related to the current prefeasibility study (PFS). Tailings Impoundment Facility expenditures to date relate to the rehabilitation of the Mount Pleasant

Tailings Impoundment Facility in order to comply with government regulations, and in anticipation of future production requirements.

## 6. PROPERTY PLANT AND EQUIPMENT

<b>Cost</b>	Equipment & Facility refurbishments \$	Computer equipment \$	Automobiles \$	Total \$
Balance as at January 1, 2013	142,503	64,624	51,498	258,625
Additions	-	1,675	-	1,675
Balance as at December 31, 2013	142,503	66,299	51,498	260,300
Additions	-	-	-	-
Balance as at March 31, 2014	142,503	66,299	51,498	260,300

<b>Accumulated depreciation</b>	Equipment & Facility refurbishments \$	Computer equipment \$	Automobiles \$	Total \$
Balance as at January 1, 2013	84,702	60,201	30,558	175,461
Depreciation for the year	9,466	3,386	11,422	24,274
Balance as at December 31, 2013	94,168	63,587	41,980	199,735
Depreciation for the period	2,367	899	2,855	6,121
Balance as at March 31, 2014	96,535	64,486	44,835	205,856

<b>Carrying amounts</b>	Facility refurbishments \$	Computer equipment \$	Automobiles \$	Total \$
As at January 1, 2013	57,801	4,423	20,940	83,164
As at December 31, 2013	48,335	2,712	9,518	60,565
As at March 31, 2014	45,968	1,813	6,663	54,444

For the three month period ended March 31, 2014, the amount of amortization charged to mineral property expense is \$5,431 (\$5,222 for the three month period ended March 31, 2013).

## 7. SHAREHOLDERS' EQUITY

### Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at March 31, 2014, the Company had 177,211,441 common shares, of no par value, issued and outstanding.

	Number of shares	Amount \$
Balance, January 1, and December 31, 2013, and March 31, 2014	177,211,441	51,169,336

- (a) On October 19, 2010 the Company completed a private placement (the "Private Placement") transaction with Great Harvest Canadian Investment Company Limited ("Great Harvest") of 40,000,000 units (the "Units") at a price of \$0.12 per unit, with each Unit consisting of one common share of Adex and one common share purchase warrant (a "Series A Warrant"), raising gross proceeds of \$4.8 million. On May 17, 2011, 40,000,000 Series A warrants were exercised, providing gross proceeds of \$7,200,000.

Other transactions contemplated in the Private Placement agreement with Great Harvest include requiring Great Harvest, subject to (i) the results of the definitive feasibility study ("DFS") being satisfactory to Great Harvest and (ii) the then capital requirements of the Company as determined at the relevant time by the board of directors of

the Company, to provide or arrange for the provision to the Company of loan facilities (the “Facilities”) in an aggregate amount of up to \$50,000,000 to be used for the commercial development of the Property, on such terms and conditions as may be agreed upon between the Company and the relevant financier(s). If an aggregate minimum of \$10 million of the Facilities are made available to be drawn down by the Company within 180 days of the delivery to Great Harvest of the report of the results of the Feasibility Study, Great Harvest will have the right (the “Share Purchase Right”) to purchase, within 40 days of the Facilities being available to be drawn down by the Company, 1.2 common shares for each dollar of the facilities made available to be drawn down by the Company within one year of the completion of the Feasibility Study. The exercise price per common share pursuant to the Share Purchase Right will be equal to the volume weighted average trading price of the common shares on the TSX Venture Exchange (the “TSXV”) for the five trading days ending the day immediately prior to the Facilities being available to be drawn down by the Company less the maximum discount there from permitted by the TSXV. The maximum number of common shares issuable pursuant to the Share Purchase Right is 60,000,000. The issuance of common shares pursuant to the exercise of the Share Purchase Right will be subject to further approval of the TSXV to be obtained following the Share Purchase Right becoming exercisable.

In connection with the above Private Placement, the agent to the transaction will be paid by the Company an additional cash finder’s fee equal to 1.5% of the principal amount of each loan made available by Great Harvest or a third party financier arranged for by Great Harvest to be drawn down by the Company, to a maximum of \$750,000.

### Contributed Surplus

	Amount \$
Balance, January 1, 2013	2,770,582
Common share options expense	-
Balance, December 31, 2013	2,770,582
Common share options expense	15,845
Balance, March 31, 2014	2,786,427

### Stock options

On April 26, 2007, the shareholders approved a rolling stock option plan (the “Stock Option Plan”) for the Company. The Stock Option Plan has been re-approved annually.

The Stock Option Plan allows the Company to issue options to a maximum of 10% of the issued and outstanding common shares of the Company. Options will be exercisable over periods of up to ten years as determined by the Board. Options are required to have an exercise price of no less than the closing market price of the common shares of the Company on the last trading day immediately preceding the date of the grant of the stock option less any discounts from the market price allowed by the TSVX.

(a) On December 31, 2013, the Company granted 4,700,000 common share options with an exercise price of \$0.10 per common share to the directors of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on December 31, 2018.

The assigned Black-Scholes fair value of the options granted was \$63,381.

The following summary sets out the activity in outstanding common share stock options for the period ended March 31, 2014:

	Options #	Weighted- average exercise price \$
Outstanding, January 1, 2013	6,850,000	0.17
Options issued December 2013	4,700,000	0.05
Options expired unexercised	(1,200,000)	0.30
Options forfeited	(630,000)	0.17
Outstanding, December 31, 2013 And March 31, 2014	9,720,000	0.097
Options exercisable at March 31, 2014	6,195,000	0.134

The details of stock options outstanding at March 31, 2014 are as follows:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
950,000	950,000	0.06 years	\$0.120	April 24, 2014
1,100,000	1,100,000	0.85 years	\$0.150	February 3, 2015
200,000	200,000	1.22 years	\$0.120	June 22, 2015
2,350,000	2,350,000	2.38 years	\$0.150	August 15, 2016
250,000	250,000	2.47 years	\$0.130	September 18, 2016
170,000	170,000	2.55 years	\$0.145	October 17, 2016
4,700,000	1,175,000	4.75 years	\$0.100	December 31, 2018
9,720,000	6,195,000			

Options that have been issued and remain outstanding vest over one year from the date of grant, in equal quarterly installments commencing three months following the date of grant.

The weighted average fair value of the options outstanding is \$0.0975 per option. The fair value of the options granted in 2013 have been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate of 1.63% and based on the full life of the option of 5 years, expected dividend yield of nil, expected forfeiture rate of nil, expected volatility of 99.96% and based on the annualized, weekly stock price calculated over the previous common share trading history, equal to the life of the option and expected life term of five years. Under this method of calculation, the Company has recorded \$15,845 as stock-based compensation, being the fair value of the options vested during the period March 31, 2014 (nil for the period ended March 31, 2013).

## 8. ADMINISTRATIVE AND GENERAL EXPENSES

The following table illustrates spending activity related to administrative and general expenses for the period ended March 31, 2014:

	For the three month period ended March 31	
	2014	2013
	\$	\$
Wages, benefits and consulting (note 9)	109,293	113,450
Directors fees (note 9)	21,200	46,100
Professional fees (legal & audit)	14,826	10,830
Office rent	20,826	20,826
Shareholder communications & promotion	16,456	25,495
Office costs	11,697	9,373
Insurance	6,707	6,976
Business development	2,950	4,550
Travel	19,091	17,753
Regulatory and filing fees	6,284	6,713
Sponsorship	5,000	-
Interest	15,000	-
	<b>249,331</b>	<b>262,066</b>

## 9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL REMUNERATION

### Key management personnel remuneration

Key management personnel remuneration is comprised of the Company's President & Chief Executive Officer, Chief Financial Officer and (for the period January 1 to June 30, 2012) Chief Operating Officer.

For the period ended March 31, 2014 the Company incurred related party expenses of \$62,946 (\$61,850 during the period ended March 31, 2013). These expenses related to the payment of management fees to the Company's senior officers.

During the year ended December 31, 2011, the Company created a retirement allowance accrual of \$525,000 (nil for year ended December 31, 2012) to be paid out to retiring senior personnel, pending the resolution of the terms of the retirement agreements. During the year ended December 31, 2011, the Company paid out \$450,000 to a former member of senior management and, at December 31, 2013, \$75,000 remains on hand for future settlement, and final settlement negotiations are ongoing.

Included in stock-based compensation for the period ended March 31, 2014 is \$6,743 (nil for the period ended March 31, 2013) attributable to key management personnel.

### Related party transactions

During the period ended March 31, 2014, the Company incurred directors and committee fees of \$21,200 (directors and committee fees of \$46,100 during the period ended March 31, 2013). These amounts were expensed in the period incurred as administrative and general expenses.

During the period ended March 31, 2014, the Company incurred and paid technical and consulting fees of \$nil (\$13,400 for the period ended March 31, 2013) to independent directors. These amounts were expensed in the period incurred as administrative and general expenses.

Included in stock-based compensation for the period ended March 31, 2014 is \$9,102 (nil for the period ended March 31, 2013) attributable to related parties.

Great Harvest, the Company's largest shareholder with 45.14% of the Company's common shares, is controlled by two of the Company's directors, one of whom also acts as the President and Chief Executive Officer. During the the period ended March 31, 2014, the Company incurred expenses of \$2,950 (\$5,666 for the period ended March 31, 2013) from Great Harvest for travel, administrative and project expenses.

All balances due to related parties bear no interest and have no fixed terms of repayment.

All transactions with related parties are in the normal course of business and recorded at fair value.

On January 28, 2014, Great Harvest and the Company entered into a loan agreement whereby Great Harvest extended a loan to the Company in the amount of US\$1,000,000. The loan is unsecured and bears interest at the rate of 8% per annum. The loan and interest become due and payable on January 28, 2015.

## 10. COMMITMENTS AND CONTINGENCIES

As at	March 31 2014	December 31 2013
	\$	\$
Accounts payable	120,844	524,708
Accrued liabilities	287,507	227,412
Income tax payable	157,607	157,607
Loan payable	1,105,300	-
	<b>1,671,258</b>	<b>909,727</b>

The Company has a contractual lease obligation related to its corporate premises that requires minimum total lease payments of \$149,924 until October 31, 2017.

The following table demonstrates the outstanding office lease commitment.

	\$
2014	29,809
2015	41,500
2016	42,084
2017	36,531
	<b>149,924</b>

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Company is currently engaged in a legal proceeding in respect of the settlement of severance payment to a former employee. The Company has accrued \$75,000 in regards to settlement of this matter, however, the timing of the resolution of this matter, as well as the final settlement amount is uncertain and cannot be determined as at March 31, 2014.

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### *Categories of financial assets and liabilities*

The Company's financial instruments are classified into the following categories: loans and receivables, held to maturity and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	March 31, 2014		December 31, 2013	
	Carrying value \$	Fair Value \$	Carrying value \$	Fair Value \$
Loans and receivables <sup>(1)</sup>	1,662,922	1,662,922	1,446,169	1,446,169
Held to maturity <sup>(2)</sup>	-	-	-	-
Other financial liabilities <sup>(3)</sup>	1,513,651	1,513,651	752,120	752,120

(1) Consists of cash and cash equivalents, accounts receivable and interest receivable.

(2) Reclamation bond

(3) Includes accounts payable and accruals.

The fair values of the Company's financial instruments are not materially different from their carrying value.

### Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

#### **(a) Market risk**

##### *(i) Commodity price risk*

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from forecast future sales of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

##### *(ii) 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.

The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time. A change in interest rates would have no effect on the value of, and/or the proceeds from, the Company's reclamation bond as it has a fixed interest rate.

##### *(iii) Sensitivity analysis*

IFRS requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis discloses the possibility of an effect on the reported loss at March 31, 2014 assuming that a reasonably possible change in the relevant risk variable has occurred at March 31, 2014 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities (where available) or historical data.

At March 31, 2014, the Company has a loan payable to Great Harvest in the amount of US\$1,000,000. Unfavourable changes in the exchange rate may affect the operating results of the Company. Based on the balance, an increase of 10% in the exchange rate of USD to CAD would, everything else being equal, have had a negative effect on earnings before taxes for the period ended March 31, 2014 of approximately \$110,500. A decrease of 10% in the exchange rate of USD to CAD would, everything else being equal, have had a positive effect on earnings before taxes for the period ended March 31, 2014 of approximately \$110,500. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company does not hold any investments, other than cash, subject to variable interest, therefore any changes in interest rates will not give rise to significant changes to the net loss.

At March 31, 2014, a change in the value of tungsten, molybdenum, tin, indium or zinc would not change the recognized value of any of the Company's financial instruments.

#### **(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables. The Company endeavours to mitigate credit risk by holding its cash and cash equivalents with major commercial banks with strong credit ratings.

The carrying amounts of financial assets recorded in the unaudited condensed consolidated interim financial statements represent the Company's maximum exposure to credit risk.

#### **(c) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities as they come due and to execute on its business plan. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. At March 31, 2014, the Company had a cash and cash equivalent balance of \$546,825 (December 31, 2013 – \$321,754). The Company has forecasted cash flows for its 2014 fiscal year. The forecast is based on management's best estimates of operating conditions in the context of current economic conditions and today's capital market climate.

The Company is a development stage company currently focused on exploring and developing its Mount Pleasant Property and has not generated revenue or cash flow from this project. The Company's sole source of funding to this point has been the issuance of equity securities. The Company has limited financial resources and no current source of recurring revenue and continues to rely on the issuance of shares or other sources of financing to generate the funds required to complete the development, commissioning and commencement of production of the Mount Pleasant property and corporate expenditures. Should additional funding be required to complete the construction, commissioning or operations of the Mount Pleasant property there is no assurance that such additional funding will be available to the Company. Should such funding be required, failure to obtain funding could result in delay or indefinite postponement of the development of the Mount Pleasant property.

#### **(d) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

### **12. MANAGEMENT OF CAPITAL**

The Company's objective when managing capital is to maintain adequate levels of funding to support evaluation and development projects, to expand regional exploration activities within the Property and to maintain corporate and administrative functions.

At March 31, 2014 the Company's capital consists of equity in the amount of \$13,313,108 (\$13,655,887 at December 31, 2013).

The Company manages its capital structure in a manner that provides sufficient funding for project evaluation and development and operational activities. Funds are primarily secured through the issue and sale of common shares. There can be no assurances that the Company will be able to continue to provide adequate funds in this manner.

The Company maintains minimal surplus capital and therefore does not have significant non-cash investments. All working capital for immediate needs is invested in liquid and highly rated financial instruments, such as money market funds with major Canadian financial institutions. The total cash and cash equivalents on hand at March 31, 2014 is \$546,825 (\$321,754 at December 31, 2013).

### **13. SUBSEQUENT EVENT**

On April 24, 2014, 950,000 common share options with an exercise price of \$0.12 per common share expired unexercised.