TERRAX MINERALS INC.

FINANCIAL STATEMENTS

JANUARY 31, 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TerraX Minerals Inc.

We have audited the accompanying financial statements of TerraX Minerals Inc. which comprise the statements of financial position as at January 31, 2014 and 2013, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

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

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

We believe that the audit evidence that 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 TerraX Minerals Inc. as at January 31, 2014 and 2013, and the results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 to the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
May 28, 2014

TERRAX MINERALS INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes		January 31, 2014		January 31, 2013
ASSETS					
Current assets					
Cash and cash equivalents	4	$	1,655,703	$	386,558
Receivables	5		36,697		12,588
Prepaids and deposits			1,290		21,100
			1,693,690		**420,246**
Non-current assets					
Exploration and evaluation assets	7		2,613,035		2,080,646
TOTAL ASSETS		**$**	**4,306,725**	**$**	**2,500,892**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	8	$	156,780	$	46,636
TOTAL LIABILITIES			**156,780**		**46,636**
SHAREHOLDERS' EQUITY					
Share capital	10		7,738,905		5,024,405
Share-based payment reserve	10, 11		1,230,819		610,078
Deficit			(4,819,779)		(3,180,227)
TOTAL SHAREHOLDERS' EQUITY			**4,149,945**		**2,454,256**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**4,306,725**	**$**	**2,500,892**

Nature and continuance of operations (Note 1)
Subsequent events (Note 15)

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

TERRAX MINERALS INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Notes		Year ended January 31, 2014		Year ended January 31, 2013
EXPENSES					
Consulting	9	$	71,494	$	3,688
Office, rent and miscellaneous	9		38,912		20,737
Part XII.6 tax			-		4,154
Professional fees			74,163		23,952
Property investigation	9		-		27,850
Share-based payments	10		671,422		43,158
Transfer agent, filing fees and shareholder communications			214,453		98,787
Travel and related costs			81,537		2,201
			(1,151,981)		(224,527)
OTHER ITEMS					
Interest income			7,733		2,792
Gain on sale of marketable securities	6		65,873		-
Write-off of exploration and evaluation assets	7		561,177		1,162,831
COMPREHENSIVE LOSS FOR THE YEAR		$	(1,639,552)	$	(1,384,566)
Loss per share - basic and diluted		$	(0.05)	$	(0.05)
Weighted average number of common shares outstanding – basic and diluted			35,479,733		26,052,492

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

TERRAX MINERALS INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

		Share capital				
	Notes	Number of shares	Amount	Share-based payment reserve	Deficit	Total
Balance at January 31, 2012		**25,669,131**	**$ 4,730,705**	**$ 566,920**	**$ (1,795,661)**	**$ 3,501,964**
Comprehensive loss:						
Loss for the year		-	-	-	(1,384,566)	(1,384,566)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued for private placements	10	3,710,000	259,700	-	-	259,700
Shares issued to acquire exploration and evaluation assets	7, 10	450,000	34,000	-	-	34,000
Share based payments	10	-	-	43,158	-	43,158
Balance at January 31, 2013		**29,829,131**	**5,024,405**	**610,078**	**(3,180,227)**	**2,454,256**
Comprehensive loss:						
Loss for the year		-	-	-	(1,639,552)	(1,639,552)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued to acquire exploration and evaluation assets	7, 10	105,000	30,750	-	-	30,750
Shares issued on exercise of options	10	600,000	198,000	-	-	198,000
Shares issued for private placements	10	9,384,009	2,495,033	-	-	2,495,033
Share issuance costs	10	-	(91,951)	31,987	-	(59,964)
Reallocation of share-based payment reserves	11	-	82,668	(82,668)	-	-
Share based payments	10	-	-	671,422	-	671,422
Balance at January 31, 2014		**39,918,140**	**$ 7,738,905**	**$ 1,230,819**	**$ (4,819,779)**	**$ 4,149,945**

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

TERRAX MINERALS INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended January 31, 2014	**Year ended January 31, 2013**
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	$ (1,639,552)	$ (1,384,566)
Items not involving cash		
Stock-based compensation	671,422	43,158
Gain on sale of marketable securities	(65,873)	-
Write-off of exploration and evaluation assets	561,177	1,162,831
Changes in non-cash working capital items:		
Receivables	(24,109)	102,630
Trade payables and accrued liabilities	4,872	(40,097)
Prepaids and deposits	(1,290)	(5,100)
Net cash used in operating activities	(493,353)	(121,144)
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	265,873	-
Expenditures on exploration and evaluation assets	(1,136,444)	(434,642)
Net cash used in investing activities	(870,571)	(434,642)
FINANCING ACTIVITIES		
Issuance of common shares, net of share issuance costs	2,633,069	259,700
Net cash provided by financing activities	2,633,069	259,700
Increase (decrease) in cash and cash equivalents	1,269,145	(296,086)
Cash and cash equivalents, beginning of year	386,558	682,644
Cash and cash equivalents, end of year	$ 1,655,703	$ 386,558

Supplemental cash flow information (Note 14)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

TerraX Minerals Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on August 1, 2007 and its principal activity is the exploration and development of mineral properties in Canada. The Company trades on the TSX Venture Exchange ("TSX-V").

The head office, principal and registered address and records office of the Company are located at suite 2300-1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at January 31, 2014 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management believes that the Company has sufficient funds to finance operating costs over the next twelve months (Note 12).

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on May 28, 2014 by the directors of the Company.

Statement of compliance to International Financial Reporting Standards ("IFRS")
These financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation
These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, the Company's functional currency, unless otherwise noted.

Significant estimates and assumptions
The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include stock-based awards and payments assumptions, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farm outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.
Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Impairment of assets

The carrying amount of the Company's long-lived assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax:</u>

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Income taxes (cont'd)

Flow-through shares:

The Company renounces qualifying Canadian exploration expenditures to certain share subscribers who subscribe for flow-through shares in accordance with the Income Tax Act (Canada). Under these provisions, the Company is required to incur and renounce qualifying expenditures on a timely basis for the respective flow-through subscriptions and, accordingly, it is not entitled to the related tax deductions and tax credits for such expenditures.

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities. A deferred tax liability is recognized and the flow-through tax liability will be reversed provided that the Company has renounced, or there is reasonable expectation that the Company will renounce, the tax benefits associated with the related expenditures. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

As at January 31, 2014, the Company has no known material restoration and environmental obligations.

Adoption of new and revised standards

The following standards, amendments and interpretations have been adopted by the Company as of February 1, 2013. There was no impact on the financial statements as a result of the adoption of these standards, amendments and interpretations:

a) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).
b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
d) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
e) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Adoption of new and revised standards **(cont'd)**

f) IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
g) IAS 19 Employee Benefits (Amended in 2011);
h) IAS 27 Separate Financial Statements (Amended in 2011); and
i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011).

3. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2014 or later periods.

a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
b) IFRIC 21 Levies (Interpretation of IAS 37); and
c) IAS 32 Financial Instruments (Amended in 2011).

The above new standards, amendments and interpretations that have not been early adopted in these financial statements, is not expected to have a material effect on the Company's future results and financial position.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements

4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	January 31, 2014	January 31, 2013
Cash at bank	$ 330,703	$ 386,558
Term deposits	1,325,000	-
	$ 1,655,703	$ 386,558

At January 31, 2014, the Company has variable rate investments of $1,325,000 (January 31, 2013 - $Nil) yielding a variable interest rate of prime less 1.70%. The term deposits allow for early redemption after the first 30 days of investment and mature on various dates.

5. RECEIVABLES

Receivables consist of the following:

	January 31, 2014	January 31, 2013
GST receivable	$ 31,509	$ 12,588
Interest receivable	5,188	-
	$ 36,697	$ 12,588

(Expressed in Canadian dollars)

6. MARKETABLE SECURITIES

In May 2013 the Company received an option payment, consisting of 20,000 shares with a market value of $200,000 from Virginia Mines Inc. (TSX: VGQ). The Company recorded these available for sale shares at their fair value. During the year ended January 31, 2014 the Company disposed of these shares and realized a gain of $65,873 on the sale of these marketable securities.

7. EXPLORATION AND EVALUATION ASSETS

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

The following are details of the Company's exploration and evaluation assets:

	Sunbeam-Pettigrew	Blackfly	Central Canada	Stewart	Northbelt	Walsh Lake	Total
Balance, January 31, 2012	**$ 884,483**	**$ 500,786**	**$ 138,412**	**$ 1,219,834**	**$ -**	**$ -**	**$ 2,743,515**
Acquisition costs	87,000	48,500	24,500	54,300	-	-	214,300
Exploration costs							
Assays and drilling	152,924	-	54,909	14,513	-	-	222,346
Consulting (Note 9)	22,780	490	10,580	28,469	-	-	62,319
Field expenses	15,644	533	39,443	41,847	-	-	97,467
Geophysical	-	-	-	3,530	-	-	3,530
Recoveries	-	-	-	(100,000)	-	-	(100,000)
	191,348	1,023	104,932	(11,641)	-	-	285,662
Write-off	(1,162,831)	-	-	-	-	-	(1,162,831)
Balance, January 31, 2013	-	**550,309**	**267,844**	**1,262,493**	-	-	**2,080,646**
Acquisition costs	-	10,000	30,000	18,939	238,374	22,492	319,805
Recovery of costs (Note 6)	-	-	-	-	(200,000)	-	(200,000)
Acquisition costs, net	-	10,000	30,000	18,939	38,374	22,492	119,805
Exploration costs							
Assays and drilling	-	-	-	-	107,261	-	107,261
Consulting (Note 9)	-	825	-	6,300	415,981	-	423,106
Field expenses	-	43	-	8,035	331,781	-	339,859
Geophysical	-	-	-	-	103,535	-	103,535
	-	868	-	14,335	958,558	-	973,761
Write-off	-	(561,177)	-	-	-	-	(561,177)
Balance, January 31, 2014	**$ -**	**$ -**	**$ 297,844**	**$ 1,295,767**	**$ 996,932**	**$ 22,492**	**$ 2,613,035**

7. EXPLORATION AND EVALUATION ASSETS (Cont'd)

Sunbeam-Pettigrew Property, Ontario

On April 16, 2009, the Company entered into an option agreement to acquire a 100% interest in the Sunbeam-Pettigrew Property located in Northwest Ontario, for the following consideration:

- $10,000 upon execution of the option agreement (paid);
- $40,000 (paid) and the issuance of 100,000 common shares (issued, with a fair value of $10,000) by May 30, 2009;
- $40,000 (paid), the issuance of 150,000 common shares (issued, with a fair value of $54,000) and incurring $150,000 in exploration work by April 15, 2010 (completed);
- $50,000 (paid), the issuance of 150,000 common shares (issued, with a fair value of $33,000) and incurring an additional $150,000 in exploration work by April 15, 2011 (completed); and
- $70,000 (paid), the issuance of 200,000 common shares (issued, with a fair value of $17,000) and incurring an additional $150,000 in exploration work by April 15, 2012 (completed).

The Company also previously paid $8,211 in staking costs. To January 31, 2013, the Company has incurred $830,620 in exploration work on the Sunbeam-Pettigrew Property.

The Sunbeam-Pettigrew Property is subject to a 2.5% net smelter royalty ("NSR"). The Company has the right to purchase 1% of the 2.5% NSR for $1,000,000, or in increments of $500,000 per 0.5%. A pre-production royalty of $20,000 per year is to be in effect, with the first payment to be made on April 15, 2013. This payment is to continue annually until production commences on the Sunbeam-Pettigrew Property and this amount will be deducted from royalties payable by the Company.

The Company did not make the annual pre-production royalty payment when due on April 15, 2013 as the Company does not intend to pursue this property and, accordingly, the Sunbeam-Pettigrew Property was written-off at January 31, 2013.

Blackfly Property, Ontario

On July 2, 2009 the Company entered into an option agreement to acquire a 100% interest in the Blackfly Property located in Northwest Ontario, for the following consideration:

- $10,000 (paid) and the issuance of 50,000 common shares (issued, with a fair value of $6,250) upon TSX-V approval of the option agreement;
- $20,000 (paid), the issuance of 60,000 common shares (issued, with a fair value of $21,300) and incurring $25,600 in exploration work by July 2, 2010 (completed);
- $30,000 (paid), the issuance of 70,000 common shares (issued, with a fair value of $13,300) and incurring an additional $25,600 in exploration work by July 2, 2011 (completed);
- $40,000 (paid), the issuance of 100,000 common shares (issued, with a fair value of $8,500) and incurring an additional $51,200 in exploration work by July 2, 2012 (completed); and
- incurring an additional $76,800 in exploration work by July 2, 2013 (completed).

To January 31, 2014 the Company has incurred $401,827 (January 31, 2013 - $400,959) in exploration work on the Blackfly Property.

The Blackfly Property is subject to a 2.5% NSR. The Company has the right to purchase 1% of the 2.5% NSR for $1,000,000, or in increments of $500,000 per 0.5%. A pre-production royalty of $10,000 per year is to be in effect, with the first payment to be made annually, with the first payment due and paid on July 2, 2013. This payment is to continue annually until production commences on the Blackfly Property and this amount will be deducted from any royalties payable by the Company. During the year ended January 31, 2014, the Company paid $10,000 (January 31, 2013 - $Nil) for the annual pre-production royalty.

7. EXPLORATION AND EVALUATION ASSETS (cont'd)

Blackfly Property, Ontario (cont'd)

As at January 31, 2014, the Company does not intend to conduct any work on the property in the immediate future, due to market conditions. As a result, the Blackfly Property was written-off at January 31, 2014.

Central Canada Property, Ontario

On December 11, 2009, and as amended on December 5, 2012, the Company entered into an option agreement to acquire a 100% interest in the Central Canada Property located in Northwest Ontario, for the following consideration:

- $8,000 (paid) and the issuance of 50,000 common shares (issued, with a fair value of $14,750) upon TSX-V approval of the option agreement;
- $20,000 (paid), the issuance of 60,000 common shares (issued, with a fair value of $17,700) and incurring $20,000 in exploration work by December 11, 2010 (completed);
- $30,000 (paid), the issuance of 70,000 common shares (issued, with a fair value of $5,950) and incurring an additional $20,000 in exploration work by December 11, 2011 (completed);
- $20,000 (paid), the issuance of 100,000 common shares (issued, with a fair value of $4,500) and incurring an additional $40,000 in exploration work by December 11, 2012 (completed);
- the payment of $20,000 by March 31, 2013 (paid) and
- incurring an additional $60,000 in exploration work by December 11, 2013 (completed).

To January 31, 2014, the Company has incurred $146,944 (January 31, 2013 - $146,944) in exploration work on the Central Canada Property.

The Central Canada Property is subject to a 2.5% NSR. The Company has the right, at any time, to purchase 1% of the 2.5% NSR for $1,000,000, or in increments of $500,000 per 0.5%. A pre-production royalty of $10,000 per year is to be in effect, with the first payment to be made on December 11, 2013 (paid subsequent to the period). This payment is to continue annually until production commences on the Central Canada Property and this amount will be deducted from royalties payable by the Company. During the year ended January 31, 2014, the Company paid $10,000 (January 31, 2013 - $Nil) for the annual pre-production royalty.

Subsequent to January 31, 2014 (Note 15), the Company entered into an option agreement with Alberta Star Development Corp. ("Alberta Star"), a company related by a common director, whereby Alberta Star can earn up to a 60% in the Central Canada Property by making cash payments to the Company totaling $85,000 over a three year period, with $10,000 due upon execution of the option agreement (paid), $25,000 due on the second anniversary of the option agreement, and the remaining $50,000 due on the third anniversary. Alberta Star must also incur an aggregate of $500,000 in exploration expenditures over a three year period, with $100,000 due by March 31, 2015, $150,000 due by March 31, 2016 and $250,000 due on March 31, 2017. Alberta Star will also be responsible for payment of the annual pre-production royalty of $10,000 to the original vendors of the property due annually in December.

7. EXPLORATION AND EVALUATION ASSETS (cont'd)

Stewart Property, Newfoundland

On June 28, 2010, and as amended on February 21, 2012 and September 26, 2012, the Company entered into an option agreement to acquire a 100% interest in the Stewart Property located in the Burin Peninsula of Newfoundland, for following consideration:

- $10,000 (paid) and the issuance of 30,000 common shares (issued, with a fair value of $11,550) upon TSX-V approval of the option agreement;
- $20,000 (paid), the issuance of 40,000 common shares (issued, with a fair value of $8,800) and incurring $75,000 in exploration work by April 13, 2011 (completed);
- $25,000 (paid), the issuance of 50,000 common shares (issued, with a fair value of $4,000) and incurring an additional $100,000 in exploration work by April 13, 2012 (completed);
- the payment of $25,000 by September 30, 2012 (paid);
- the issuance of 75,000 common shares (issued, with a fair value of $17,250) and incurring an additional $150,000 in exploration work by April 13, 2013 (completed); and
- the issuance of 100,000 common shares (issued subsequent to the year ended January 31, 2014, Note 15) and incurring an additional $200,000 in exploration work by April 13, 2014 (completed).

To January 31, 2014, the Company paid $3,789 (January 31, 2013 - $2,100) in staking costs. To January 31, 2014, the Company has incurred $1,170,378 (January 31, 2013 - $1,156,043), net of a $100,000 government grant received in April 2012, in exploration work on the Stewart Property.

The Stewart Property is subject to a 2% NSR. The Company has the right, at any time, to purchase 1% the 2% NSR for $1,000,000.

Northbelt Property, Northwest Territories

On December 17, 2012, the Company submitted an offer to acquire a 100% interest in 121 mineral leases totaling 8802 acres (3562 hectares) approximately 15 km north of the city of Yellowknife known as the Northbelt Property. As consideration, the Company paid a refundable deposit of $21,100 on December 19, 2012 with the balance of the purchase price of $189,900 paid on closing of the transaction in February 2013.

In May 2013, the Company acquired 12 mineral claims called the Goodwin claims from Sonde Resources Corp. for $10,000. These claims have been incorporated into the Northbelt project area. The Company acquired a 100% interest in the claims. During the year ended January 31, 2014, the Company paid annual mineral lease payments of $17,374.

Concurrent with completion of a private placement by Virginia Mines Inc. ("Virginia") (TSX: VGQ) in May 2013, the Company granted Virginia an option to acquire a 2% smelter returns royalty on the Northbelt property. Virginia may exercise the option by payment of $2,000,000 within three months following commencement of production. In consideration of granting the option, the Company received 20,000 common shares of Virginia at a market value of $10 per share, the value of which was applied to reduce the acquisitions costs recorded for Northbelt by $200,000 during the period.

To January 31, 2014, the Company has incurred $958,558 in exploration work on the Northbelt Property.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd)

Walsh Lake Property, Northwest Territories

On October 28, 2013, the Company entered into an option agreement to acquire a 100% interest in the Walsh Lake Property, which is contiguous with and immediately east of its Northbelt Property, for the following consideration:

- $5,000 (paid) and the issuance of 30,000 common shares (issued, with a fair value of $13,500) upon execution of the agreement;
- $10,000, the issuance of 40,000 common shares and incurring $25,000 in exploration work by October 28, 2014;
- $20,000, the issuance of 50,000 common shares and incurring an additional $55,000 in exploration work by October 28, 2015;
- $25,000, the issuance of 70,000 common shares and incurring an additional $70,000 in exploration work by October 28, 2016; and
- $30,000, the issuance of 70,000 common shares and incurring an additional $250,000 in exploration work by October 28, 2017.

The vendor will retain a 2% NSR, of which 1.5% can be purchased by the Company for $2,000,000.

During the year ended January 31, 2014, the Company also recognized in acquisition costs of $3,992 in claim fees.

8. TRADE PAYABLES AND ACCRUED LIABILITIES

Trade payables and accrued liabilities consist of the following:

		January 31, 2014		**January 31, 2013**
Trade payables	$	58,303	$	2,816
Due to related parties (Note 9)		78,477		31,320
Accrued liabilities		20,000		12,500
	$	156,780	$	46,636

9. RELATED PARTY TRANSACTIONS

Related party balances

As at January 31, 2014, $78,477 (January 31, 2013 - $31,320) was due to directors or companies controlled by directors and recorded in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Related party transactions

The Company's related parties include key management. Key management includes executive directors and non-executive directors. The remuneration of the key management of the Company as defined above was as follows:

	Years ended January 31, 2014		Years ended January 31, 2013	
Rent and administrative services	$	28,500	$	18,000
Consulting fees		65,493		3,688
Geological consulting – Exploration and evaluation assets		350,656		60,137
Geological consulting – Property investigation expense		-		20,038
Share-based payments (non-cash)		136,636		-
	$	581,285	$	101,863

10. SHARE CAPITAL

Authorized share capital

Unlimited number of voting common shares without par value.

Issued share capital

At January 31, 2014 there were 39,918,140 issued and fully paid common shares (January 31, 2013 – 29,829,131).

2014

a) During the year ended January 31, 2014, the Company issued 105,000 common shares at a fair value of $30,750 towards consideration for the acquisition of exploration and evaluation assets (Note 7).

b) On May 30, 2013, the Company completed a non-brokered private placement of 6,911,085 units at a price of $0.20 per unit for gross proceeds of $1,382,217, of which 3,617,085 units were acquired by Virginia. Each unit consists of one common share and one-half of one share purchase warrant, exercisable to purchase an additional share at $0.30 until May 8, 2016 (as to 3,393,043 warrants) and May 30, 2016 (as to 62,500 warrants). The Company has not separately disclosed the fair value of the warrants. Finders' fees of $21,840 were paid with respect to this placement along with the issuance of 109,200 finders' warrants exercisable at $0.30 until May 8, 2016, with a fair value of $18,118. The total fair value of $18,118 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, a risk-free interest rate of 1.08% and an expected volatility of 155.06%. In connection with this private placement, the Company incurred an additional $6,786 of share issuance costs.

10. SHARE CAPITAL

2014 (cont'd)

c) On December 20, 2013 the Company completed an initial closing of 2,261,812 units at $0.45 per unit for gross proceeds of $1,017,815. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of $0.50 per share until December 20, 2015. Finder's fees of $25,773 were paid with respect to a portion of this placement along with the issuance of 56,574 finders warrants exercisable at $0.50 until December 20, 2015, with a fair value of $13,869. The total fair value of $13,869 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, a risk-free interest rate of 1.14% and an expected volatility of 122.43%. In connection with this private placement, the Company incurred an additional $5,565 of share issuance costs.

   On December 27, 2013 issued a further 211,112 units at $0.45 per unit, for gross proceeds of $95,000, bringing the aggregate gross proceeds raised in this private placement to $1,112,816. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of $0.50 per share until December 27, 2015. In connection with these units subscribed, the Company issued additional 700 finders warrants exercisable at $0.50 until December 27, 2015.

d) During the year ended January 31, 2014 the Company received net proceeds of $198,000 from the exercise of 600,000 options at $0.33 per share and the fair value of these options of $82,668 was reclassified from share-based payment reserve to share capital.

2013

a) During the year ended January 31, 2013, the Company completed a non-brokered private placement of 3,710,000 units at a price of $0.07 per unit for gross proceeds of $259,700. Each unit consists of one common share and one-half of one share purchase warrant, exercisable to purchase an additional share at $0.10 until January 21, 2015. The Company has not separately disclosed the fair value of the warrants.

b) During the year ended January 31, 2013, the Company also issued 450,000 common shares at a fair value of $34,000 towards consideration for the acquisition of exploration and evaluation assets (Note 7).

(Expressed in Canadian dollars)

10. SHARE CAPITAL (cont'd)

Stock options

The Board of Directors of the Company has adopted a stock option plan which permits the Company to grant to directors, officers and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares and be exercisable for a period of up to five years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant or individual conducting investor relations activities will not exceed 2% of the issued and outstanding common shares. Options granted typically vest on the grant date.

The changes in options during the years ended January 31, 2014 and 2013 are as follows:

	Year ended January 31, 2014			**Year ended January 31, 2013**		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Options outstanding, beginning of the year	2,500,000	$	0.20	2,120,000	$	0.29
Options granted	2,805,000		0.23	1,150,000		0.10
Options exercised	(600,000)		0.33	-		-
Options expired	(750,000)		0.25	(770,000)		0.30
Options outstanding, end of the year	3,955,000	$	0.19	2,500,000	$	0.20
Options exercisable, end of the year	3,637,500	$	0.19	2,500,000	$	0.20

2014

On December 23, 2013 the Company granted 295,000 stock options to consultants at an exercise price of $0.45 per share for a three year period**.** These options vested immediately. The total fair value of $83,865 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, a risk-free interest rate of 1.14% and an expected volatility of 115.07%. The granting of these options resulted in a stock based compensation expense of $83,685 being recorded during the year ended January 31, 2014.

On September 30, 2013, the Company granted 100,000 stock options to consultants at an exercise price of $0.61 per share for a three year period**.** These options vested immediately. The total fair value of $43,346 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, a risk-free interest rate of 1.40% and an expected volatility of 120.78%. The granting of these options resulted in a stock based compensation expense of $43,346 being recorded during the year ended January 31, 2014.

On August 29, 2013, the Company granted 360,000 stock options to a consultant at an exercise price of $0.29 per share for a five year period**.** These options vested 25% upon grant and 25% every 3 months thereafter. The total fair value of $155,708 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a weighted average risk-free interest rate of 1.63% and a weighted average expected volatility of 130.62%. The granting of these options resulted in a stock based compensation expense of $128,218 being recorded during the year ended January 31, 2014.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (cont'd)

Stock options (cont'd)

On June 28, 2013, the Company granted 550,000 stock options to consultants at an exercise price of $0.17 per share for a five year period**.** These options vested 25% upon grant and 25% every 3 months thereafter. As at January 31, 2014, the total fair value of $226,433 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a weighted average risk-free interest rate of 1.74% and a weighted average expected volatility of 135.43%. The granting of these options resulted in a stock based compensation expense of $211,220 being recorded during the year ended January 31, 2014.

On June 28, 2013, the Company also granted 1,500,000 stock options to directors, officers and consultants at an exercise price of $0.17 per share for a five year period**.** These options vested immediately upon grant. The total fair value of $204,953 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a risk-free interest rate of 1.80% and an expected volatility of 152.82%. The granting of these options resulted in a stock based compensation expense of $204,953 being recorded during the year ended January 31, 2014.

2013

On April 30, 2012, the Company granted 500,000 stock options to consultants at an exercise price of $0.10 per share for a 2 year period**.** These options vested 25% upon grant and 25% every 3 months thereafter. The total fair value of $22,484 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a weighted average risk-free interest rate of 1.19% and a weighted averaged expected volatility of 143,34%. The granting of these options resulted in a stock based compensation expense of $22,484 being recorded during the year ended January 31, 2013.

On August 2, 2012, the Company granted 650,000 stock options to officers, directors and consultants at an exercise price of $0.10 per share for a 2 year period**.** These options vested immediately. The total fair value of $20,674 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a risk-free interest rate of 1.06% and an expected volatility of 125.54%. The granting of these options resulted in a stock based compensation expense of $20,674 being recorded during the year ended January 31, 2013.

The following incentive stock options were outstanding and exercisable at January 31, 2014:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
500,000	500,000	$ 0.10	April 30, 2014 (subsequently exercised)
650,000	650,000	0.10	August 2, 2014
2,050,000	1,912,500	0.17	June 28, 2018
360,000	180,000	0.29	August 29, 2018
100,000	100,000	0.61	September 30, 2013
295,000	295,000	0.45	December 23, 2016
3,955,000	3,637,500		

As at January 31, 2014, the weighted average remaining life of options outstanding was 2.58 years.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (cont'd)

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance as at January 31, 2012	5,154,701	$ 0.38
Issued	1,855,000	0.10
Expired	(5,154,701)	0.38
Balance as at January 31, 2013	1,855,000	0.10
Issued	4,858,479	0.35
Balance as at January 31, 2014	6,713,479	$ 0.28

The following warrants were outstanding and exercisable at January 31, 2014:

Number	Exercise Price	Expiry Date
1,855,000	$ 0.10	January 21, 2015
3,502,243	$ 0.30	May 8, 2016
62,500	$ 0.30	May 30, 2016
1,188,180	$ 0.50	December 20, 2015
105,556	$ 0.50	December 27, 2015
6,713,479		

As at January 31, 2014, the weighted average remaining life of warrants outstanding was 1.84 years.

11. SHARE-BASED PAYMENT RESERVE

The share-based payment reserve records items recognized as share-based payments until such time that the stock options and finders' warrants are exercised, at which time the corresponding amount will be transferred to share capital. During the year ended January 31, 2014, 600,000 options at $0.33 per share were exercised and the fair value of these options of $82,668 was reclassified from share-based payment reserve to share capital.

12. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

(Expressed in Canadian dollars)

12. FINANCIAL RISK AND CAPITAL MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is, therefore, assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies will affect the Company's operations and financial results. The Company operates in Canada and is, therefore, not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances at January 31, 2014 and no-interest bearing debt, therefore, interest rate risk is nominal.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statements of financial position are as follows:

	January 31, 2014	**January 31, 2013**
FVTPL:		
Cash and cash equivalents	$ 1,655,703	$ 386,558

Financial liabilities included in the statements of financial position are as follows:

	January 31, 2014	**January 31, 2013**
Non-derivative financial liabilities:		
Trade payables	$ 58,303	$ 2,816
Due to related parties	78,477	31,320
	$ 136,780	$ 34,136

(Expressed in Canadian dollars)

12. FINANCIAL RISK MANAGEMENT (cont'd)

Fair value
The fair value of the Company's financial assets and liabilities approximates their carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2014 and 2013:

	As at January 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 1,655,703	$ -	$ -
	As at January 31, 2013		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 386,558	$ -	$ -

13. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	January 31, 2014	**January 31, 2013**
Loss for the year	$ (1,639,552)	$ (1,384,566)
Statutory tax rate	25.83%	25.00%
Expected income tax recovery	(423,496)	(346,142)
Non-deductible items	149,437	10,789
Other	-	(302,981)
Impact of tax rate change	(32,376)	-
Change in valuation allowance	306,435	638,334
Deferred income tax recovery	$ -	$ -

(Expressed in Canadian dollars)

13. INCOME TAXES (cont'd)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	January 31, 2014	**January 31, 2013**
Exploration and evaluation assets	$ 611,741	$ 440,956
Loss carry-forwards	437,263	304,560
Share issuance costs	21,783	18,836
	$ 1,070,787	$ 764,352

The tax pools relating to these deductible temporary differences expire as follows:

	Exploration and evaluation assets	Loss carry-forwards	Share issuance costs
2015	$ -	$ -	$ 47,804
2016	-	-	11,993
2017	-	-	11,993
2018	-	-	11,993
2028	-	36,099	-
2029	-	101,728	-
2030	-	147,024	-
2031	-	426,992	-
2032	-	259,673	-
2033	-	218,873	-
2034	-	491,393	-
No expiry	4,965,884	-	-
	$ 4,965,884	$ 1,681,782	$ 83,783

Provision for deferred tax

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at January 31, 2014, the Company has approximately $1,681,782 of non-capital losses that can be offset against taxable income in future years which begin expiring at various dates commencing in 2028. The potential future tax benefit of these losses has not been recorded as a full-future tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.

(Expressed in Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended January 31, 2014 and 2013 the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

	Years ended January 31, 2014	Years ended January 31, 2013
Exploration expenditures included in trade payables and accrued liabilities	$ 105,272	$ 31,320
Exploration expenditures reallocated from prepaids and deposits	$ 21,100	$ -
Fair value of shares issued for mineral property option payments	$ 30,750	$ 34,000
Fair value of finders' warrants	$ 31,987	$ -
Fair value of stock options reallocated to share capital	$ 82,668	$ -
Virginia shares received	$ 200,000	$ -

15. SUBSEQUENT EVENTS

a) The Company entered into an option agreement with Alberta Star, whereby Alberta Star can earn a 60% interest in the Company's Central Canada Property by making cash payments totaling $85,000 over a three year period, with $10,000 paid upon execution of the option agreement, $25,000 due on the second anniversary of the execution of the option agreement and a further $50,000 due on the third anniversary date. Alberta Star must also incur an aggregate of $500,000 in exploration expenditures over a three year period, with $100,000 to be incurred by March 31, 2015, a further $150,000 to be incurred by March 31, 2016 and the remaining $250,000 to be incurred by March 31, 2017. Alberta Star will also be responsible for payment of the annual pre-production royalty of $10,000 to the original vendors of the Central Canada Property due annually in December beginning with the next payment due on December 11, 2014.

b) The Company completed a private placement of 1,500,000 units at $0.45 per unit for gross proceeds of $675,000. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of $0.51 per share until February 14, 2016. Finder's fees of $31,000 were paid with respect to a portion of this private placement along with the issuance of 70,000 finder's warrants exercisable at $0.50 until February 14, 2016.

c) The Company completed a private placement whereby Alberta Star acquired 1,300,000 units of the Company at $0.45 per unit for gross proceeds of $585,000. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of $0.57 per share until February 28, 2016.

d) The Company issued 75,000 shares to acquire the UBreccia Property, which is contiguous with and immediately west-southwest of its Northbelt Property in the Northwest Territories. The vendor will retain a 1% net smelter returns royalty, of which 0.5% can be purchased by the Company at any time for $1,000,000.

e) The Company issued 100,000 common shares towards the option agreement for the Stewart Property (Note 7).

f) The Company received net proceeds of $50,000 from the exercise of 500,000 stock options at $0.10 per share.

g) The Company received net proceeds of $94,270 from the exercise of 280,900 warrants at $0.30 per share and 100,000 warrants at $0.10 per share.

h) The Company granted 1,050,000 stock options to directors and consultants that can be exercised at $0.75 per share until March 14, 2019.

i) The Company granted 500,000 stock options to an investor relations consultant that can be exercised at $0.61 per share until May 5, 2019.