ALQ GOLD CORPORATION

(formerly Alpha Gold Corporation)

Financial Statements
Years Ended February 28, 2014 and 2013

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALQ GOLD CORP.

We have audited the accompanying financial statements of ALQ Gold Corp., which comprise the statements of financial position as at February 28, 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 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 ALQ Gold Corp. as at February 28, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
June 27, 2014

Expressed in Canadian dollars

	Note		Years Ended February 28, 2014		February 28, 2013
Operating Expenses					
Consulting and management fees		$	55,004	$	53,471
Professional fees			41,723		40,501
Office, printing and miscellaneous			38,875		43,172
Regulatory fees and transfer fees			26,089		10,144
Shareholder relations			10,906		33,225
Share-based payments	8(e)		9,247		2,372
Insurance			6,727		8,044
Rent	9		6,000		6,000
Communications			565		848
Travel and promotion			513		1,484
Depreciation			4,750		6,786
Total Operating Expenses			**200,399**		**206,047**
Interest income			(970)		(2,586)
General exploration			-		4,150
Sundry income			(38,514)		-
Interest expense and other			183		213
Loss Before Taxes			**161,098**		**207,824**
Deferred income tax recovery	12		(69,406)		(24,634)
Net Loss and Comprehensive Loss for the Year		**$**	**91,692**	**$**	**183,190**
Loss per share - basic and diluted		$	0.020	$	0.004
Weighted average number of common shares outstanding			4,823,862		47,236,701

ALQ Gold Corp.
(Exploration Stage Company)
Statements of Financial Position
Expressed in Canadian dollars

	Note		February 28, 2014		February 28, 2013
Assets					
Current					
Cash and cash equivalents		$	182,509	$	185,004
Receivables			14,930		9,419
Prepaids and deposits			5,200		6,506
			202,639		**200,929**
Non-current					
Mineral properties	5		11,688,141		11,788,624
Reclamation bond	6		30,000		30,000
Equipment	7		11,083		15,833
			11,729,224		**11,834,457**
Total Assets		**$**	**11,931,863**	**$**	**12,035,386**
Liabilities					
Current					
Accounts payable and accrued liabilities		$	22,753	$	19,046
Flow-through share premium			7,950		-
			30,703		**19,046**
Non-current					
Deferred income tax liability	12		**1,086,994**		**1,156,400**
			1,117,697		**1,175,446**
Shareholders' Equity					
Share capital	8		17,196,444		17,159,773
Share-based payments reserve			673,034		663,787
Deficit			(7,055,312)		(6,963,620)
Total Shareholders' Equity			**10,814,166**		**10,859,940**
Total Liabilities and Shareholders' Equity		**$**	**11,931,863**	**$**	**12,035,386**

Approved on behalf of the Board

"Carl Pines"	*"Neil F. Hummel"*
Carl Pines	Neil F. Hummel
Director	Director

ALQ Gold Corp.
(Exploration Stage Company)
Statements of Changes in Shareholders' Equity
Expressed in Canadian dollars

	Share Capital				Share-based				Total
	Shares		Amount		Payments Reserve		Deficit		Equity
Balance as at February 29, 2012	**4,723,670**	**$**	**17,159,773**	**$**	**661,415**	**$**	**(6,780,430)**	**$**	11,040,758
Share-based payments	-		-		2,372		-		2,372
Net loss for the year	-		-		-		(183,190)		(183,190)
Balance as at February 28, 2013	4,723,670		17,159,773		663,787		(6,963,620)		10,859,940
Flow- through share issue	795,000		47,700		-		-		47,700
Flow- through share premium	-		(7,950)		-		-		(7,950)
Share issue costs	-		(3,079)		-		-		(3,079)
Share-based payments	-		-		9,247		-		9,247
Net loss for the year	-		-		-		(91,692)		(91,692)
Balance as at February 28, 2014	**5,518,670**	**$**	**17,196,444**	**$**	**673,034**	**$**	**(7,055,312)**	**$**	**10,814,166**

Expressed in Canadian dollars

		Years Ended		
Cash provided by (used for):		**February 28, 2014**		**February 28, 2013**
Operating Activities				
Net loss for the year	$	(91,692)	$	(183,190)
Items not involving cash:				
Depreciation		4,750		6,786
Share-based payments		9,247		2,372
Deferred income tax recovery		(69,406)		(24,634)
		(147,101)		(198,666)
Changes in non-cash working capital				
Receivables		(5,511)		7,943
Prepaids and deposits		1,306		(1,796)
Accounts payable and accrued liabilities		3,707		(24,672)
		(498)		(18,525)
Cash Used in Operating Activities		**(147,599)**		**(217,191)**
Investing Activities				
Mineral properties		100,483		(22,488)
Cash Provided by (Used in) Investing Activities		**100,483**		**(22,488)**
Financing Activity				
Flow-through shares issued for cash, net		44,621		-
Cash Provided by Financing Activities		**44,621**		**-**
Decrease in Cash During the Year		**(2,495)**		**(239,679)**
Cash and Cash Equivalents, Beginning of the Year		185,004		424,683
Cash and Cash Equivalents, End of the Year	$	**182,509**	$	**185,004**

Supplemental cash flow information - Note 13

1. Nature and Continuance of Operations

ALQ Gold Corp. (the "Company") was incorporated under the laws of British Columbia, Canada, on February 25, 1985. The Company is primarily engaged in the acquisition, exploration and development of mineral properties located in Canada.

On August 19, 2013, the Company changed its name from Alpha Gold Corp. to ALQ Gold Corp. and effective market opening on the same day on the TSX Venture Exchange, the Company's shares began trading under the name ALQ Gold Corp. ("ALQ").

Effective August 20, 2013, the Company completed a consolidation of its outstanding share capital on a basis of one post-consolidation share for every ten pre-consolidation shares, approved by the shareholders at the Company's Annual General and Special Meeting held on August 28, 2012. All references to the number of common shares, options and warrants have been adjusted retrospectively.

The Company's corporate office and principal place of business is 410 Donald Street, Coquitlam, British Columbia, Canada V3K 3Z8.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at February 28, 2014, the Company had working capital of $171,936 (2013 - $181,883). The Company incurred a net loss of $91,692 for the year ended February 28, 2014 (2013 - $183,190) and had an accumulated deficit of $7,055,312 as at February 28, 2014 (2013 - $6,963,620).

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company will be required to issue share capital to finance its future activities through private placements and the exercise of options and warrants, and is actively seeking additional equity financing. There can be no assurance that such financing will be available to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

These financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Basis of Preparation

These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments measured at fair value. The financial statements were approved and authorized for issue by the Board of Directors on June 27, 2014.

The Company's functional and presentation currency is the Canadian dollar.

3. Summary of Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future reporting periods could be significant.

Estimates and areas where judgment is applied that have significant effect on the amount recognized in the financial statements include:

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The estimation of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties and the results of exploration and evaluation to date.

The determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for asset retirement obligations at each reporting date or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

3. Summary of Significant Accounting Policies, continued

(a) Significant Accounting Estimates and Judgments, continued

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, term deposits and investments with maturities of three months or less from the date of purchase that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(c) Mineral Properties

All expenditures related to the acquisition, exploration and evaluation of mineral properties are capitalized on a property-by-property basis, net of recoveries, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

3. Summary of Significant Accounting Policies, continued

(c) Mineral Properties, continued

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision. Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded.

(d) Reclamation Bond

Reclamation bond is recorded at amortized cost and held by Canadian government agencies, in trust or a cashable term deposit.

(e) Share Capital

Equity units

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

3. Summary of Significant Accounting Policies, continued

(e) Share Capital, continued

Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

Any difference between the amount recognized in common shares and proceeds received is deemed equal to an estimated premium investors pay for the flow-through feature and is initially recorded as a liability.

The amount recorded as a liability relating to the sale of tax benefits is reversed when the tax benefits are renounced. The difference between the amount originally recorded as a liability and the estimated income tax benefits on the date of renouncement is recognized in profit or loss. The tax effect of the renunciation is recorded at the time the Company makes the renunciation, which may differ from the effective date of renunciation.

(f) Non-monetary Consideration

Shares issued for non-monetary consideration are recorded at fair value based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

(g) Share-based Payments

Share-based payments for employees are measured at the fair value of the instruments issued and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of the options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value calculated is transferred from share-based payment reserve to share capital.

3. Summary of Significant Accounting Policies, continued

(h) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. Deferred tax assets also result from unused losses carried forward, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

(j) Financial Instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”) or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

3. Summary of Significant Accounting Policies, continued

(j) Financial Instruments, continued

Available-for-sale

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

The Company has no derivative financial liabilities.

3. Summary of Significant Accounting Policies, continued

(k) Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Cost comprises expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment, and recognized in profit or loss.

Depreciation is calculated over the estimated useful life of the assets using the declining-balance method at an annual rate of 30%.

(l) Mining Exploration Tax Credit

The federal and provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accounts for these credits as a reduction of exploration and evaluation expenditures in the period that the credits are received. These credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments, if any, resulting from such a review are recorded in the period that the tax filings are amended.

(m) Accounting Standards Issued and Effective for the Current Fiscal Year

The adoption of the following standards has not had a significant impact on the Company's financial position or performance.

- **International Accounting Standard ("IAS") 27** ***Separate Financial Statements*** **(2011)**
- **IAS 28** ***Investments in Associates and Joint Ventures*** **(2011)**
- **IFRS 10** ***Consolidated Financial Statements***
- **IFRS 11** ***Joint Arrangements***
- **IFRS 13** ***Fair Value Measurement***
- ***Consolidated Financial Statements, Joint Ventures and Disclosure of Interests in Other Entities: Transition Guidance***

3. Summary of Significant Accounting Policies, continued

(n) Future Accounting Standards Changes

The following is a summary of accounting standards that are issued but not yet effective. The Company has not early-adopted these revised standards and expects that there will be no significant effect on the Company`s consolidated financial statements when they are adopted.

IFRS 9 *Financial Instruments* (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

IFRS 9 *Financial Instruments* (2010)

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

3. Summary of Significant Accounting Policies, continued

(n) Future Accounting Standards Changes, continued

Offsetting Financial Assets and Financial Liabilities **(Amendments to IAS 32)**

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting focused on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to annual periods beginning on or after January 1, 2014.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Applicable to annual periods beginning on or after January 1, 2014.

4. Financial Instruments

(a) Categories of Financial Instruments

The Company's financial instruments include cash and cash equivalents, reclamation bond, and accounts payable and accrued liabilities.

The Company has classified its financial instruments into the following categories:

Financial Instrument	Category	Carrying Value
Cash and cash equivalents	FVTPL	Fair Value
Reclamation Bonds	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost

(b) Fair Value

The carrying values of cash and cash equivalents and accounts payable and accrued liabilities estimate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and its carrying value approximates fair value.

4. Financial Instruments, continued

(c) Financial Risk Management

The Company's risk exposure and the impact on its financial instruments are summarized as follows:

(i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities and through management of its capital structure. Of the Company's financial liabilities, $22,7k53 have contractual maturities of less than 90 days (2013 - $19,046).

As at February 28, 2014, the Company's unrestricted cash balance of $134,809 would not be sufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months. $47,700 is restricted for exploration expenses. The Company will be required to raise additional capital in the future to fund its operations.

(ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

As at February 28, 2014, the Company had no amounts receivable or payable in foreign currencies, and accordingly, is not exposed to currency risk.

(iii) Interest Rate Risk

In respect of the Company's financial assets, interest rate risk mainly arises from the interest rate impact on cash and cash equivalents and reclamation bond. As at February 28, 2014, the Company's exposure is immaterial.

(iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash position, which is held with Canadian financial institutions. The Company mitigates credit risk by risk management policies that require cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration.

Expressed in Canadian dollars

4. Financial Instruments, continued

(c) Financial Risk Management, continued

(v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

5. Mineral Properties

	2014	2013
Acquisition costs	$ 513,682	$ 513,682
Deferred expenditures (Schedule)	11,174,459	11,274,942
	$ 11,688,141	$ 11,788,624

Lustdust Claims

(i) On July 15, 1989, the Company acquired a 100% interest in certain mineral claims located in the Omineca Mining Division, British Columbia, for cash of $170,000. The vendor retains a 3% net smelter return royalty ("NSR").

(ii) On February 21, 1992, the Company acquired a 100% interest in certain mineral claims located in the Omineca Mining Division for $100,000 cash and 20,000 shares of the Company at a fair value of $6.00 each (previously subject to a 5% net profit interest to a maximum of $100,000 and a 2% NSR). In July 2003, the Company acquired the retained "5% net profit interest and the 2% NSR" for $150,000 cash.

(iii) Ownership of the Company's Lustdust Property is currently secured through 2021 and/or 2022. There is no requirement for NSR or royalties on any of the Company's claims.

Expressed in Canadian dollars

5. Mineral Properties, continued

Schedule		2014		2013
Exploration				
Camp expenses	$	3,855	$	4,200
Geological/geochemical work and reports		1,500		18,288
		5,355		**22,488**
BC Mining tax credit		**(105,838)**		**-**
Net expenditures (recoveries)		**(100,483)**		**22,488**
Balance, beginning of year		**11,274,942**		**11,252,454**
Balance, end of year	**$**	**11,174,459**	$	**11,274,942**

6. Reclamation Bond

The Company has placed a reclamation bond for $30,000 (2013 - $30,000) with the British Columbia Ministry of Energy and Mines. The cashable term deposit is for one year without interest and automatic renewal.

Expressed in Canadian dollars

7. Equipment

	Computer equipment	Furniture and fixtures	Machinery and equipment	Trucks	Total
Cost					
Balance, February 29, 2012	$ 8,878	$ 17,282	$ 23,742	$ 54,939	$ 104,841
Additions/Disposals	-	-	-	-	-
Balance, February 28, 2013	8,878	17,282	23,742	54,939	104,841
Additions/Disposals	-	-	-	-	-
Balance, February 28, 2014	$ 8,878	$ 17,282	$ 23,742	$ 54,939	$ 104,841
Depreciation					
Balance, February 29, 2012	$ 7,568	$ 16,627	$ 14,301	$ 43,726	$ 82,222
Depreciation for the year	393	197	2,832	3,364	6,786
Balance, February 28, 2013	7,961	16,824	17,133	47,090	89,008
Depreciation for the year	276	136	1,982	2,356	4,750
Balance, February 28, 2014	$ 8,237	$ 16,960	$ 19,115	$ 49,446	$ 93,758
Carrying amount					
As at February 28, 2013	$ 917	$ 458	$ 6,609	$ 7,849	$ 15,833
As at February 28, 2014	$ 641	$ 322	$ 4,627	$ 5,493	$ 11,083

8. Share Capital

(a) Authorized

The authorized capital of the Company is an unlimited number of common shares without par value.

(b) Share issuances

On August 19, 2013, the Company completed a consolidation of its outstanding share capital on a basis of one post-consolidation share for every ten pre-consolidation shares. All share amounts have been adjusted retrospectively.

On January 13, 2014, the Company announced the completion of the flow-through private placement of 795,000 flow-through units at $0.06 per unit for gross proceeds of $47,700. Each flow-through unit consists of one flow-through common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional non-flow-through common share at a price of $0.06 per share for a period of 24 months. The Company incurred $3,079 as share issue costs for the placement.

There were no share issuances during the year ended February 28, 2013.

Expressed in Canadian dollars

8. Share Capital, continued

(c) Share purchase warrants

Warrant transactions for the respective years are summarized as follows:

	Number of warrants	Exercise price
Balance, February 29, 2012	1,041,789	$ 2.50-3.50
Warrants expired	(1,041,789)	$ 2.50-3.50
Balance, February 28, 2013	-	
Warants issued, expiry January 13, 2016	795,000	0.06
Balance, February 28, 2014	795,000	0.06

(d) Stock options

The Company has established a fixed share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, consultants or service providers to the Company. The maximum aggregate number of plan shares that may be reserved for issuance under the plan at any point in time is 944,734 shares, less any common shares reserved for issuance under share options granted under share compensation arrangements other than the plan, unless the plan is amended pursuant to the requirements of the TSX Venture Exchange policies at the award date. Options granted under the plan may have a maximum term of ten years. The exercise price of an option may not be less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant.

A summary of the Company's options outstanding and exercisable at February 28, 2014 are as follows (subsequent to the 10:1 consolidation):

Exercise Price	Expiry Date	Balance February 28, 2013	Granted	Cancelled or Expired	Balance February 28, 2014
$ 2.00	July 20, 2014	145,000	-	55,000	90,000
$ 1.00	July 23, 2015	175,000	-	100,000	75,000
$ 1.00	May 30, 2016	100,000	-	100,000	-
$ 0.06	February 24, 2019	-	625,000	-	625,000
Outstanding		420,000	625,000	255,000	790,000
Weighted average exercise price		$ 1.35		1.22	$ 0.37
Contractual life remaining in years		2.25			4.13
Exercisable		420,000			321,250

Expressed in Canadian dollars

8. Share Capital, continued

(d) Stock options, continued

A summary of the Company's options outstanding and exercisable at February 28, 2013 are as follows (after adjusting for the 10:1 consolidation):

Exercise Price	Expiry Date	Balance February 29, 2012	Cancelled or Expired	Balance February 28, 2013
$ 0.90	June 7, 2012	62,222	62,222	-
$ 2.00	July 20, 2014	145,000	-	145,000
$ 1.00	July 23, 2015	175,000	-	175,000
$ 1.00	May 30, 2016	100,000	-	100,000
Outstanding and exercisable		482,222	62,222	420,000
Weighted average exercise price		$ 1.29	$ 0.90	1.35
Contractual life remaining in years		2.87		2.25

(e) Share-based payments

During the year ended February 28, 2014, the Company granted 625,000 stock options fair valued at $9,247 to directors, officers, employees and consultants of the Company. The fair value of stock options granted of $0.06 per option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield Nil; expected volatility 172%; risk free interest rate 1.63%; and weighted average life of five years.

During the year ended February 28, 2013, the Company did not grant any stock options to directors, officers, employees and consultants of the Company.

9. Related Party Transactions

During the year, the Company paid $3,500 (2013 - $Nil) for office rental to a director and an officer of the Company.

During the year, the Company paid $2,500 (2013 - $6,000) for office rental to an officer of the Company (retired in June 2013).

As of February 28, 2014, accounts payable included $5,000 (2013 -$Nil) payable to directors for director's fees.

Expressed in Canadian dollars

9. Related Party Transactions, continued

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee benefits or post-employment benefits. Compensation awarded to key management during the years ended February 28, 2014 and 2013 are as follows:

		2014		2013
Short-term employee benefits	$	97,004	$	95,971
Share-based payments		9,247		2,372
Total	$	106,251	$	98,343

10. Capital Management

The Company includes equity, comprising issued common shares, share-based payment reserve and deficit, in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The property in which the Company currently has an interest is in the exploration stage, and as such, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended February 28, 2014. The Company is not subject to externally-imposed capital requirements.

11. Segmented Information

The Company reports segmented information based on its operating and geographic segments. The Company's operations are primarily directed towards the acquisition, exploration, and ultimate development of gold and other precious metals with regard to mineral properties held in British Columbia, Canada.

Expressed in Canadian dollars

12. Income Taxes

A reconciliation of the income tax expense computed at statutory rates to the reported loss before taxes is as follows:

	2014	2013
Income tax benefit at statutory rate of 26.0% (2013 - 25.0%)	$ (41,885)	$ (51,956)
Items not deductible for tax purposes	2,404	593
Change in timing differences	(29,925)	24,541
Effect of change in tax rates	-	2,188
Deferred income tax recovery	$ (69,406)	$ (24,634)

Effective April 1, 2013, the British Columbia corporate tax rate increased from 10% to 11% resulting in a increase in the Company's statutory tax rate from 25.0% to 26.0%.

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2014	2013
Deferred income tax assets:		
Non-capital losses	$ 677,307	$ 635,088
Equipment	94,213	92,978
Share issuance costs	4,454	7,627
Capital losses	1,592	1,592
Non-refundable ITC	1,607	-
	779,173	737,285
Deferred income tax liability		
Mineral properties	(1,866,167)	(1,893,685)
Net deferred income tax liability	$ (1,086,994)	$ (1,156,400)

Expressed in Canadian dollars

12. Income Taxes, continued

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

		2014		2013
Unrecognized deductible temporary differences and unused tax losses				
Non-capital loss carry-forwards	$	136,155	$	136,155

The Company's non-capital losses expire as follows:

2015	$	136,155
2026		168,427
2027		216,928
2028		406,203
2029		273,021
2030		381,157
2031		448,430
2032		321,079
2033		227,398
2034		162,384
	$	2,741,182

13. Supplemental Cash Flow Information

		2014		**2013**
Cash and cash equivalents is comprised of:				
Cash	$	(3,013)	$	1,679
GIC		185,522		183,325
Total cash and cash equivalents	$	182,509	$	185,004
Cash Items				
Income tax paid	$	-	$	-
Interest received	$	970	$	1,086
Interest paid	$	-	$	-
Non-Cash Items				
Interest income accrued	$	-	$	1,500