

GREEN ARROW RESOURCES INC.

**Financial Statements
December 31, 2013, December 31, 2012 and May 31, 2012
(Expressed in Canadian Dollars)**

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GREEN ARROW RESOURCES INC.

We have audited the accompanying financial statements of Green Arrow Resources Inc., which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2013 and the seven months ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 Green Arrow Resources Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the year ended December 31, 2013 and the seven months ended December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 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.

Other Matter

The financial statements of Green Arrow Resources Inc. as at May 31, 2012 and for the year then ended were audited by another firm of accountants who expressed an unmodified opinion on those financial statements on September 26, 2012.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
March 4, 2014

GREEN ARROW RESOURCES INC.
Statements of Financial Position
(Expressed in Canadian Dollars)
As at

	December 31, 2013	December 31, 2012	May 31, 2012
Assets			
Current			
Cash	\$ 13,193	\$ 136,848	\$ 773,153
Other receivables (note 7)	74,430	153,776	37,757
Prepays and deposits	53,000	104,643	93,431
	140,623	395,267	904,341
Exploration and Evaluation Assets (note 6)	-	343,901	18,555
Total Assets	\$ 140,623	\$ 739,168	\$ 922,896
Liabilities			
Current			
Accounts payable and accrued liabilities (note 7)	\$ 99,812	\$ 90,762	\$ 47,089
Flow-Through Premium (notes 8, 9 and 10)	-	6,163	87,500
Total Liabilities	99,812	96,925	134,589
Shareholders' Equity			
Share Capital (note 9)	993,786	962,286	962,286
Option Reserve (note 9 (c))	54,345	54,345	73,559
Warrant Reserve (note 9 (d))	39,619	36,119	36,119
Deficit	(1,046,939)	(410,507)	(283,657)
Total Shareholders' Equity	40,811	642,243	788,307
Total Liabilities and Shareholders' Equity	\$ 140,623	\$ 739,168	\$ 922,896

Approved on behalf of the Board:

"Jake Kalpakian" (signed)

_____ Director

Jake Kalpakian

"Christopher Kape" (signed)

_____ Director

Christopher Kape

GREEN ARROW RESOURCES INC.
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2013	Seven Months Ended December 31, 2012	Year Ended May 31, 2012
Expenses			
Professional fees (note 7)	\$ 81,366	\$ 89,487	\$ 141,593
Management fees (note 7)	90,000	52,500	7,500
Rent (note 7)	51,864	45,803	9,115
Office (note 7)	66,439	35,919	5,348
Travel	93	3,523	1,550
Interest and bank charges	6,322	169	764
Share-based payment (note 9 (c))	-	-	54,345
Insurance	-	-	900
Interest income	-	-	(679)
	296,084	227,401	220,436
Impairment loss on exploration and evaluation assets	344,281	-	-
Flow-through share tax expense (note 10 (e))	2,230	-	-
Loss Before Deferred Income Tax Recovery	642,595	227,401	220,436
Deferred Income Tax Recovery (note 8)	(6,163)	(81,337)	-
Net Loss and Comprehensive Loss for Period	\$ 636,432	\$ 146,064	\$ 220,436
Loss per Share , basic and diluted	\$ 0.24	\$ 0.06	\$ 0.13
Weighted Average Number of Common Shares Outstanding	2,643,836	2,500,000	1,655,000

GREEN ARROW RESOURCES INC.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Option Reserve	Warrant Reserve	Deficit	Total Equity
Balance, May 31, 2011	1,525,000	\$ 746,105	\$ 62,150	\$ -	\$ (106,157)	\$ 702,098
Net loss for year	-	-	-	-	(220,436)	(220,436)
Shares issued (note 9)	975,000	303,681	-	-	-	303,681
Flow-through share premium	-	(87,500)	-	-	-	(87,500)
Warrants issued	-	-	-	36,119	-	36,119
Stock options issued	-	-	54,345	-	-	54,345
Agent options expired	-	-	(42,936)	-	42,936	-
Balance, May 31, 2012	2,500,000	962,286	73,559	36,119	(283,657)	788,307
Net loss for period	-	-	-	-	(146,064)	(146,064)
Agent options expired	-	-	(19,214)	-	19,214	-
Balance, December 31, 2012	2,500,000	962,286	54,345	36,119	(410,507)	642,243
Net loss for the year	-	-	-	-	(636,432)	(636,432)
Private placement, shares and warrants issued (note 9)	700,000	31,500	-	3,500	-	35,000
Balance, December 31, 2013	3,200,000	\$ 993,786	\$ 54,345	\$ 39,619	\$ (1,046,939)	\$ 40,811

GREEN ARROW RESOURCES INC.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2013	Seven Months Ended December 31, 2012	Year Ended May 31, 2012
Operating Activities			
Net loss	\$ (636,432)	\$ (146,064)	\$ (220,436)
Items not involving cash			
Impairment loss on exploration and evaluation assets	344,281	-	-
Deferred income tax recovery	(6,163)	(81,337)	-
Share-based payment	-	-	54,345
Changes in non-cash operating working capital			
Other receivables	79,346	(116,019)	(36,873)
Prepays and deposits	51,643	(11,212)	(93,431)
Accounts payable and accrued liabilities	8,745	(10,166)	37,832
Cash Used in Operating Activities	(158,580)	(364,798)	(258,563)
Financing Activities			
Share issuance	35,000	-	380,000
Share issuance costs	-	-	(50,200)
Cash Provided by Financing Activities	35,000	-	329,800
Investing Activity			
Exploration and evaluation assets	(75)	(271,507)	(8,555)
Increase (Decrease) in Cash	(123,655)	(636,305)	62,682
Cash, Beginning of Period	136,848	773,153	710,471
Cash, End of Period	\$ 13,193	\$ 136,848	\$ 773,153
Supplemental Cash Flow Information			
Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ 54,144	\$ 53,839	\$ -
Common shares issued for exploration and evaluation assets	\$ -	\$ -	\$ 10,000

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS

Green Arrow Resources Inc. (the "Company" or "Green Arrow") was incorporated on December 21, 2007, under the provisions of the *Business Corporations Act* of the province of Alberta, Canada. On December 22, 2009, the Company completed its initial public offering of common shares and on January 11, 2010 commenced trading as a capital pool corporation, as defined in the TSX Venture Exchange (the "Exchange") Listing Policy 2.4 (the "CPC Policy"). The Company's head office is located at Suite 300, 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1.

On April 24, 2012, the Company completed its qualifying transaction by entering into an option agreement to acquire a 60% interest in the Eagle Lake Property in Saskatchewan, as described in note 6. The Company is classified as a Tier 2 mining issuer, as defined in the Exchange Policy 2.1, and the principal business of the Company is exploration and development of prospective mineral properties.

During the year ended December 31, 2013, the Company consolidated its common shares on the basis of eight pre-consolidation common shares for one post-consolidation common share. All figures as to the numbers of common shares, stock options, warrants, as well as loss per share in these financial statements are consolidated amounts and have been retroactively restated to present the post-consolidation amounts.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several conditions cast significant doubt on the validity of this assumption. The Company has incurred significant net losses over the past three fiscal periods (year ended December 31, 2013 - \$636,432; seven months ended December 31, 2012 - \$146,064; year ended May 31, 2012 - \$220,436). At December 31, 2013, the Company has a deficit of \$1,046,939 (December 31, 2012 - \$410,507; May 31, 2012 - \$283,657), has limited resources with working capital of \$40,811 (December 31, 2012 - \$304,505; May 31, 2012 - \$857,252), no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations. In addition, the Company recorded an impairment loss of \$344,281 (December 31, 2012 - \$nil; May 31, 2012 - \$nil) on its only exploration asset, Eagle Lake Property (note 6).

The application of the going concern assumption is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION

a) Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved the financial statements on March 4, 2014.

b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale ("AFS") and fair value through profit or loss ("FVTPL"), which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

In October 2012, the Company received approval from securities regulators to change its financial year-end from May 31 to December 31. The change of year-end enabled the Company to align its year-end with most other companies trading on the Exchange. The change in year-end results in the current period reflecting twelve months of operations and the comparative period in these financial statements being the seven months ended December 31, 2012.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION (Continued)

d) Use of estimates and judgments (Continued)

The key area of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

- The carrying value of the exploration and evaluation (“E&E”) assets and the recoverability of the carrying value

Assets or cash-generating units (“CGUs”) are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company’s E&E assets.

In respect of costs incurred for its investment in E&E assets, management has determined the acquisition and exploration and evaluation costs that have been capitalized are no longer economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economics assessment/studies, accessible facilities and existing permits.

The key estimates applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- The provision for income taxes and recognition of deferred income tax assets and liabilities.
- The inputs in determining the bifurcation of unit offerings into the different equity components.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shares of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase 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 and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as exploration and evaluation assets with a corresponding increase in option reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

c) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statements of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amounts for financial statement purposes and the tax basis for certain assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset will be reduced.

d) Flow-through shares

The Company will from time to time issue flow-through shares to finance portions of its capital expenditure program. Pursuant to terms of the flow-through share agreement, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, the proceeds of the issuance of flow-through shares are allocated between the offering of the shares and the sale of the tax benefits. The allocation is based on the difference between the quoted price of the existing shares and the amount the subscriber pays for the flow-through shares. A liability is recognized for this difference and is subsequently reversed as the Company incurs qualifying Canadian exploration expenditures.

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Exploration and evaluation assets

Costs directly related to the acquisition, exploration and evaluation of resource properties are capitalized once the legal rights to explore the resource properties are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined impairment in value, the property is written down to its recoverable amount.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of mineral property.

Once the technical feasibility and commercial viability of the extraction of mineral resources are demonstrable, E&E assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property and equipment. To date, none of the Company's E&E assets has demonstrated technical feasibility and commercial viability. The recoverability of the carrying amount of any E&E assets is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

f) Impairment of non-current assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

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

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Decommissioning obligations

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. To date the Company does not have any significant decommissioning liabilities.

h) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity and AFS. 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

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company classifies its cash as FVTPL.

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments (Continued)

(i) Financial assets (Continued)

Loans and receivables

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

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method.

Available-for-sale

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets, other than impairment losses, are recognized as other comprehensive income and classified as a component of equity.

(ii) Financial liabilities

The Company classifies its financial liabilities as FVTPL or other financial liabilities.

Fair value through profit or loss

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Other 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 using the effective interest rate method. 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 classifies accounts payable and accrued liabilities as other financial liabilities.

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments (Continued)

(iii) Impairment

The Company assesses at each statement of financial position date whether there is objective evidence that financial assets, other than those designated as FVTPL, are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of comprehensive loss. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of comprehensive loss in the period.

i) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to the share capital based on the market trading price of the common shares, any residual value is allocated to the warrants. Upon exercise of stock options and warrants, the applicable amounts from the option and warrant reserves are transferred to share capital. For unexercised stock options and warrants that expire, the recorded value is transferred to deficit.

j) New accounting pronouncements

All of the new and revised standards described below may be early-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.

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) New accounting pronouncements (Continued)

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.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Risk management overview

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

b) Fair value of financial instruments

The fair values of cash, other receivables (excluding GST), and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. The levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

GREEN ARROW RESOURCES INC.

Notes to Financial Statements

Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

Year Ended May 31, 2012

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and other receivables (excluding GST). The Company mitigates its exposure to credit loss associated with cash by placing its cash in a major financial institution. Other receivables (excluding GST) primarily consist of income from the rental of office space to entities controlled by common management. To reduce credit risk, the Company regularly reviews the collectability of other receivables (excluding GST).

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

At December 31, 2013, the Company had cash of \$13,193 (December 31, 2012 - \$136,848; May 31, 2012 - \$773,153) available to apply against short-term business requirements and current liabilities of \$99,812 (December 31, 2012 - \$90,762; May 31, 2012 - \$47,089). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2013. Amounts due to related parties included in accounts payable and accrued liabilities are due on demand.

e) Market risk

Market risk is the risk that changes in market prices, such as interest rates, and foreign exchange rates will affect the Company's net earnings or the value of financial instruments. As at December 31, 2013, the Company is not exposed to any significant interest rate risk, currency risk or other price risk on its financial assets and liabilities.

f) Capital management

The Company considers its capital under management to be comprised of shareholders' equity. The Company's policy for managing capital is to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources available to fund the exploration of its current E&E asset. To secure the additional capital necessary to pursue these plans, the Company may adjust spending, raise additional funds through the issuance of equity or by securing strategic partners. The Company's officers are responsible for managing the Company's capital and the Company's Board of Directors is responsible for overseeing this process.

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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

f) Capital management (Continued)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust spending, issue new shares or incur debt. The Company monitors its working capital and expected capital spending and issues share capital to manage its development plans. The Company's ability to raise additional equity or debt financing is impacted by external conditions including the global economic downturn.

There were no changes in the Company's approach to capital management for the year ended December 31, 2013. The Company is not subject to externally imposed capital requirements.

6. EXPLORATION AND EVALUATION ASSETS

	Eagle Lake Property
Balance, May 31, 2011	\$ -
Acquisition costs (note 9(a))	10,000
Expenditures during the year	
Technical reports	4,177
Drilling	4,378
Balance, May 31, 2012	18,555
Expenditures during the period	
Drilling	325,346
Balance, December 31, 2012	343,901
Expenditures during the year	
Drilling	305
Assessment work report	75
Impairment loss on exploration and evaluation assets	(344,281)
Balance, December 31, 2013	\$ -

a) Eagle Lake Property, Saskatchewan

Pursuant to the Property Option Agreement dated January 19, 2012 between Eagle Plains Resources Ltd. ("Eagle Plains") and the Company, Eagle Plains has given the Company the option to acquire a 60% interest in the Eagle Lake Property. In order to exercise the option and acquire the 60% interest in the Eagle Lake Property, the Company is required to issue an aggregate of 125,000 common shares to Eagle Plains,

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6. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Eagle Lake Property, Saskatchewan (Continued)

make staged cash payments to Eagle Plains totaling \$300,000 and incur exploration expenditures on the Eagle Lake Property totaling \$3,000,000, as follows:

- 25,000 common shares within five business days from the final Exchange approval obtained on April 24, 2012 (the "Final Exchange Bulletin") (issued, with a fair value of \$10,000);
- an additional 25,000 common shares, \$25,000 cash and \$350,000 in exploration expenditures on or before the first anniversary of the Final Exchange Bulletin;
- an additional 25,000 common shares, an additional \$50,000 cash and an additional \$400,000 in exploration expenditures on or before the second anniversary of the Final Exchange Bulletin;
- an additional 25,000 common shares, an additional \$75,000 cash and an additional \$750,000 in exploration expenditures on or before the third anniversary of the Final Exchange Bulletin; and
- an additional 25,000 common shares, an additional \$150,000 cash and an additional \$1,500,000 in exploration expenditures on or before the fourth anniversary of the Final Exchange Bulletin.

If the Company exercises the option and acquires a 60% interest in the Eagle Lake Property, the parties will enter into a joint venture for further exploration and development of the Eagle Lake Property. Eagle Plains' interest in the Eagle Lake Property is subject to a 1% net smelter returns royalty granted to Donald Sawyer pursuant to the letter agreement dated November 30, 2006 between Eagle Plains and Donald Sawyer, which can be repurchased by Eagle Plains in consideration for \$1,000,000.

In addition, a finder's fee of up to \$67,500 is payable to Kalpakian Bros. of B.C. Ltd., a company owned by two directors of the Company, of which \$34,500 has been paid to date and was included in share issuance costs as at May 31, 2012 (note 7 (c)). The final amount of the finder's fee is dependent on the Company meeting its obligations covered by the exclusive option for the Eagle Lake Property.

During the year ended December 31, 2013, the Company considered the results of testing performed on the Eagle Lake Property to not meet its expectations. As such, management has decided to not incur any further expenditures on the property and has recorded an impairment provision against all capitalized costs relating to the property. Furthermore, on January 31, 2014, the Company formally terminated the property option agreement.

b) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

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6. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Environmental (Continued)

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. As at December 31, 2013, the Company has no material decommissioning obligations.

c) Realization of assets

The investment in and expenditures on E&E assets comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

d) Title to exploration and evaluation assets

Although the Company has taken steps to verify the title to E&E assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such assets, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

7. RELATED PARTY TRANSACTIONS

The amounts due from related parties included in other receivables are unsecured, payable on demand without interest and consist of the following:

	December 31, 2013	December 31, 2012	May 31, 2012
Las Vegas from Home.com Entertainment Inc. ("Las Vegas")	\$ 59,591	\$ 69,440	\$ -
High 5 Ventures Inc. ("High 5")	12,535	4,371	-
Carscallen Leitch LLP ("Carscallen")	-	-	905
	\$ 72,126	\$ 73,811	\$ 905

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7. RELATED PARTY TRANSACTIONS (Continued)

The amounts due to related parties included in accounts payable and accrued liabilities are unsecured, payable on demand without interest and consist of the following:

	December 31, 2013	December 31, 2012	May 31, 2012
Company controlled by key management personnel	\$ 2,625	\$ 2,800	\$ -

The Company shares office space and certain expenses with Las Vegas and High 5, entities with common management and charges them for their proportional share of office rent and certain expenses. The Company also shared office space with CapGain Properties Inc. ("CapGain"), an entity that was formerly related by common management, which ceased on December 31, 2012. As of May 1, 2013, Las Vegas and High 5 are charged by the Company for their proportionate share of office rent.

Las Vegas charges the Company for office support services provided by Las Vegas.

Related party transactions during the period:

- a) Management fees of \$90,000 (notes 10 (a)(b)) (seven months ended December 31, 2012 - \$52,500; year ended May 31, 2012 - \$7,500) paid to three entities controlled by key management personnel;
- b) Paid to/from the Company:
 - The Company charged Las Vegas for rent of \$83,753 (December 31, 2012 - \$63,000; May 31, 2012 - \$9,000);
 - The Company charged High 5 for rent of \$17,918 (December 31, 2012 - \$3,500; May 31, 2012 - \$500); and
 - The Company charged CapGain for rent of \$nil (December 31, 2012 - \$3,500; May 31, 2012 - \$500).

The above amounts were recorded as a reduction of rent expense during the period.

- Las Vegas charged the Company for office support services of \$60,000 (seven months ended December 31, 2012 - \$35,000; year ended May 31, 2012 - \$5,000) (included in office expenses).
- c) A finder's fee of \$nil (December 31, 2012 - \$nil; year ended May 31, 2012 - \$34,500) has been paid in respect of the Qualifying Transaction to Kalpakian Bros. of B.C. Ltd., a company owned by key management personnel. The amount has been reported as part of share issuance costs in connection with the shares issued as part of the Qualifying Transaction.
 - d) Included in professional fees is an amount related to legal fees of \$nil (seven months ended December 31, 2012 - \$nil; year ended May 31, 2012 - \$44,393) paid to Carscallen, a law firm in which a former director of the Company is a partner. Effective May 31, 2012, Carscallen is no longer considered to be a related party of the entity.

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Notes to Financial Statements

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7. RELATED PARTY TRANSACTIONS (Continued)

- e) Included in share-based payment expense is \$nil (seven months ended December 31, 2012 - \$nil; year ended May 31, 2012 - \$54,345) for options granted to key management personnel.
- f) There were no short-term benefits, post-employment benefits, termination benefits or long-term benefits paid to key management personnel for the year ended December 31, 2013 (seven months ended December 31, 2012 - \$nil; year ended May 31, 2012 - \$nil).

8. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 25.75% (seven months ended December 31, 2012 - 25.00%; year ended May 31, 2012 - 25.00%) to income before income taxes. The reasons for the differences are as follows:

	Year Ended December 31, 2013	Seven Months Ended December 31, 2012	Year Ended May 31, 2012
Rate Reconciliation			
Loss before deferred tax recovery	\$ (642,595)	\$ (227,401)	\$ (220,436)
Statutory income tax rate	25.75%	25.00%	25.00%
Income tax recovery computed at statutory tax rate	(165,468)	(56,850)	(55,109)
Items not deductible for tax purposes	12	-	13,586
Change in timing differences	18,656	110,991	-
Effect of change in tax rates	(4,046)	-	-
Unrecognized benefit of deferred income tax assets	150,846	(54,141)	41,523
Flow-through premium	6,163	81,337	-
Deferred income tax recovery	\$ 6,163	\$ 81,337	\$ -

Effective April 1, 2013, the British Columbia provincial tax rate increased from 10.00% to 11.00% and the Canadian federal corporate tax rate remained unchanged at 15.00%. The overall increase in tax rates has resulted in an increase in the Company's statutory tax rate from 25.00% to 25.75%.

GREEN ARROW RESOURCES INC.

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Year Ended December 31, 2013, Seven Months Ended December 31, 2012 and

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8. INCOME TAXES (Continued)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2013, December 31, 2012 and May 31, 2012 are presented below:

	December 31, 2013	December 31, 2012	May 31, 2012
Deferred Income Tax Asset			
Non-capital losses	\$ -	\$ 81,337	\$ -
Deferred Income Tax Liabilities			
Exploration and evaluation assets	-	(81,337)	-
Net Deferred Income Tax Liabilities	\$ -	\$ -	\$ -

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of December 31, 2013, December 31, 2012 and May 31, 2012 are as follows:

	December 31, 2013	December 31, 2012	May 31, 2012
Share issuance costs and other	\$ 52,840	\$ 90,164	\$ 203,452
Exploration and evaluation assets	18,555	-	-
Non-capital loss carry-forward	871,500	287,060	390,335
	\$ 942,895	\$ 377,224	\$ 593,787

As at December 31, 2013, the Company has accumulated non-capital losses in Canada for tax purposes of approximately \$871,500 that may be carried forward to apply against future years' income for income tax purposes. The losses expire as follows:

2028	\$ 9,400
2029	11,200
2030	37,400
2031	101,900
2032	452,500
2033	259,100
	\$ 871,500

9. SHARE CAPITAL, OPTION RESERVE AND WARRANT RESERVE

a) Share capital

Authorized

Unlimited number of common shares without nominal or par value
Unlimited number of preferred shares without nominal or par value

GREEN ARROW RESOURCES INC.

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9. SHARE CAPITAL, OPTION RESERVE AND WARRANT RESERVE (Continued)

a) Share capital (Continued)

Issued and outstanding

During the year ended December 31, 2013, the following share transactions occurred:

- (i) Effective August 8, 2013, the Company consolidated its common shares on the basis of eight pre-consolidation common shares for one post-consolidation common share. All figures as to the numbers of common shares, stock options, warrants, as well as loss per share in these financial statements have been retroactively restated to reflect the consolidation.
- (ii) On October 17, 2013, the Company completed a private placement of 700,000 units at a price of \$0.05 per unit for total proceeds of \$35,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.05 for a period of five years. All the securities issued have a hold period expiring February 18, 2014. The Company allocated \$3,500 to the warrants based on the residual value method.

There were no transactions during the seven months ended December 31, 2012.

During the year ended May 31, 2012, the following share transactions occurred:

- (i) On January 9, 2012, the Company completed a private placement of 75,000 common shares at a price of \$0.40 per share for total proceeds of \$30,000.
- (ii) On April 20, 2012, the Company completed a private placement of 875,000 flow-through units ("FT Unit") at a price of \$0.40 per FT Unit for total proceeds of \$350,000. Each FT Unit consists of one flow-through common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to acquire one non-flow-through share at a price of \$0.80 for the first year and \$1.20 per share for the second year. The fair value of these warrants was \$33,675 (note 9 (d)). The Company issued 31,750 finder's warrants exercisable at \$0.80 per finder's warrant for the first year and \$1.20 per finder's warrant for the second year. The fair value of the finder's warrants was \$2,444 (note 9 (d)). For this private placement, the Company allocated \$228,825 to share capital, \$87,500 to the flow-through premium liability and \$33,675 to the warrants (note 9 (d)). The Company incurred cash share issuance costs of \$15,700 on this private placement.
- (iii) On May 31, 2012, the Company issued 25,000 common shares valued at \$10,000 to Eagle Plains in respect of the Eagle Lake Property agreement (note 6 (a)).

b) Escrow

Pursuant to the Company's qualifying transaction, 10% of the outstanding escrow shares were released upon the issuance of the Final Exchange Bulletin; 15% of the Company's remaining escrow shares will be released from escrow every six months from the date of the Final Exchange Bulletin. As at December 31, 2013, 230,625 shares (December 31, 2012 - 384,375) remain in escrow.

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9. SHARE CAPITAL, OPTION RESERVE AND WARRANT RESERVE (Continued)

c) Stock option plan

The Company has an incentive stock option plan (the "Plan") that allows it to grant options to its employees, directors, consultants and officers. Under the terms of the Plan, the exercise price of each option will not be lower than the lowest exercise price permitted by the Exchange. The Plan allows for a maximum of 10% of outstanding shares to be issued.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or officer, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of twelve months after the date of death and the expiration of the option period.

Options activity for the year ended December 31, 2013, seven months ended December 31, 2012, and year ended May 31, 2012 are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, May 31, 2011	137,500	\$ 0.80
Granted	211,250	\$ 0.80
Expired	(101,250)	\$ 0.80
Outstanding and exercisable, May 31, 2012	247,500	\$ 0.80
Expired	(36,250)	\$ 0.80
Outstanding and exercisable, December 31, 2012 and 2013	211,250	\$ 0.80

As at December 31, 2013, December 31, 2012 and May 31, 2012, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options		
		December 31, 2013	December 31, 2012	May 31, 2012
July 23, 2012	\$ 0.80	-	-	6,250
August 1, 2012	\$ 0.80	-	-	5,000
August 8, 2012	\$ 0.80	-	-	25,000
April 24, 2017	\$ 0.80	211,250	211,250	211,250
		211,250	211,250	247,500

The remaining contractual life of the options as at December 31, 2013 is 3.32 years (December 31, 2012 - 4.32 years; May 31, 2012 - 4.29 years).

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9. SHARE CAPITAL, OPTION RESERVE AND WARRANT RESERVE (Continued)

c) Stock option plan (Continued)

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants:

	December 31, 2013	December 31, 2012	May 31, 2012
Risk-free interest rate	N/A	N/A	0.78%
Expected life of options (years)	N/A	N/A	5
Expected stock price volatility	N/A	N/A	100%
Dividend yield	N/A	N/A	Nil
Fair value on date of grant	N/A	N/A	\$0.03

The expected volatility is based on an average of historical prices of a comparable group of companies within the same industry due to the lack of historical pricing information for the Company. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of N/A (December 31, 2012 - N/A; May 31, 2012 - 0%) in determining the expense recorded in the accompanying statements of comprehensive loss.

d) Warrant reserve

Warrants activity for the year ended December 31, 2013, seven months ended December 31, 2012 and year ended May 31, 2012 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, May 31, 2011	-	\$ -
Issued	469,250	\$ 1.20
Outstanding, May 31, 2012 and December 31, 2012	469,250	\$ 1.20
Issued	700,000	\$ 0.05
Outstanding and exercisable, December 31, 2013	1,169,250	\$ 0.51

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9. SHARE CAPITAL, OPTION RESERVE AND WARRANT RESERVE (Continued)

d) Warrant reserve (Continued)

As at December 31, 2013, December 31, 2012 and May 31, 2012, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants		
		December 31, 2013	December 31, 2012	May 31, 2012
April 20, 2014	\$ 1.20	469,250	469,250	469,250
October 17, 2018	\$ 0.05	700,000	-	-
		1,169,250	469,250	469,250

The remaining contractual life of the warrants as at December 31, 2013 is 2.99 years (December 31, 2012 - 1.30 years; May 31, 2012 - 2.30 years).

10. COMMITMENTS

- a) The Company entered into a consulting services agreement with BHK Management Inc., a company owned by a director of the Company, for management services at a monthly rate of \$2,500 plus applicable taxes. The agreement expires April 30, 2014 and is renewable on an annual basis. The agreement can be terminated by either party upon giving three months' written notice.
- b) The Company entered into management services agreements with 30 Rock Management Inc. and JAMCO Capital Partners Inc., companies owned by two directors of the Company, for management services at a monthly rate of \$2,500 plus applicable taxes payable to each company. The agreements expire April 30, 2014 and are renewable on an annual basis. The agreements can be terminated by either party upon giving three months' written notice.
- c) The Company entered into an agreement for office support services with Las Vegas. Under the agreement, the Company is entitled to receive office support services from Las Vegas at a monthly rate of \$5,000 plus applicable taxes. The agreement expires April 30, 2014. The agreement can be terminated by either party upon giving three months' written notice.
- d) The Company, together with Las Vegas and High 5, has entered into a sub-lease agreement with an arm's length party for office space, which expires July 30, 2014. Under the sub-lease agreement, the three companies are required to pay a base rent of \$5,687 plus property and operating expenses for the leased premises. A total of \$53,000 has been classified as prepaids and deposits in the statement of financial position at December 31, 2013.

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10. COMMITMENTS (Continued)

- e) In 2012, the Company completed a flow-through financing of \$350,000, resulting in an allocation to flow-through premium of \$87,500.

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent. As at December 31, 2013, the amount of flow-through proceeds previously renounced that is remaining to be spent is \$19,970 (December 31, 2012 - \$20,350; May 31, 2012 - \$350,000). The Company incurred Part XII.6 taxes to the Canadian Revenue Agency of \$2,230 (December 31, 2012 - \$nil; May 31, 2012 - \$nil) (paid subsequent to December 31, 2013).

During the year ended December 31, 2013, the Company decided to not incur any further expenditures on the property and has recorded an impairment provision against all capitalized costs relating to the property, and as such, reversed the outstanding flow-through premium balance of \$6,163.