CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
TNR Gold Corp.

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

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

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Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about TNR Gold Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

April 11, 2014

TNR GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

		2013		2012
ASSETS				
Current				
Cash	$	33,751	$	752,138
Receivables		6,204		38,680
Marketable securities (Note 3)		1,875,900		5,200
Securities (Note 4(b))		-		95,000
Prepaids		9,376		15,007
		1,925,231		906,025
Investment in associate (Note 4(a))		638,495		894,831
Equipment (Note 5)		-		19,602
Exploration and evaluation assets (Note 6)		8,658,510		10,640,514
Total assets	$	11,222,236	$	12,460,972
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	581,630	$	737,371
Promissory note payable (Note 7)		1,000,000		1,000,000
Accounts payable to related parties (Note 10)		146,230		299,012
		1,727,860		2,036,383
Loan payable (Note 8)		3,500,000		3,500,000
		5,227,860		5,536,383
Shareholders' equity				
Share capital (Note 9)		34,977,375		34,977,375
Reserves (Note 9)		4,487,384		4,470,381
Deficit		(33,470,383)		(32,523,167)
		5,994,376		6,924,589
Total liabilities and shareholders’ equity	$	11,222,236	$	12,460,972

Nature and continuance of operations (Note 1)
Commitments and contingency (Notes 10 and 16)
Subsequent event (Notes 7, 11 and 17)

On behalf of the Board on April 11, 2014

“Gary Schellenberg” Director   *“Paul Chung”* Director

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

TNR GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31

	2013	2012
OPERATING EXPENSES		
Administration fees	$ 12,000	$ 15,000
Argentina administration	140,963	545,544
Consulting fees	300,597	257,975
Depreciation (Note 5)	2,384	5,275
Foreign exchange loss	26,462	40,843
Interest and bank charges	784,750	463,957
Management fees	90,000	135,000
Office and miscellaneous	174,615	131,276
Professional fees	198,107	249,377
Shareholder communications	65,167	125,468
Share-based payments (Note 9)	-	129,367
Transfer agent and filing fees	13,433	22,118
Travel and related	29,760	99,297
Total operating expenses	(1,838,238)	(2,220,497)
Interest income	14,555	17,715
Proceeds on legal settlement (Note 6)	1,000,000	-
Dilution gain on investment in associate (Note 4(a))	107	69,379
Equity loss from associate (Note 4(a))	(273,446)	(309,869)
(Loss) gain on sale of equipment (Note 5)	(7,218)	19,782
Gain on sale of exploration and evaluation assets (Note 6)	275,000	-
Realized gain (loss) on marketable securities (Note 3)	25,027	(218)
Unrealized loss on marketable securities (Note 3)	(136,300)	(11,553)
Unrealized loss on securities (Note 4(b))	-	(190,000)
Realized loss on securities (Note 4(b))	(95,000)	-
Recovery on exploration and evaluation assets (Note 6)	1,573,533	-
Write-off of exploration and evaluation assets (Note 6)	(1,485,236)	(3,192,629)
	891,022	(3,597,393)
Loss and comprehensive loss for the year	$ (947,216)	$ (5,817,890)
Basic and diluted loss per common share	$ (0.01)	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	147,816,447	147,743,182

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

TNR GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (947,216)	$ (5,817,890)
Items not affecting cash:		
Depreciation	2,384	5,275
Dilution gain on investment in associate	(107)	(69,379)
Equity loss from associate	273,446	309,869
Accrued interest income	-	(10,932)
Interest expense	784,750	463,957
Share-based payments	-	129,367
Loss (gain) on sale of property and equipment	7,218	(19,782)
Gain on sale of exploration and evaluation assets	(275,000)	-
Realized (gain) loss on marketable securities	(25,027)	218
Unrealized loss on marketable securities	136,300	11,553
Unrealized loss on investment in securities	-	190,000
Realized loss on investment in securities	95,000	-
Recovery on exploration and evaluation assets	(1,573,533)	-
Write-off of exploration and evaluation assets	1,485,236	3,192,629
Changes in non-cash working capital items:		
Decrease in receivables	32,476	162,100
Decrease (increase) in prepaid expenses	5,631	(5,735)
Decrease in accounts payable and accrued liabilities	(222,116)	(45,495)
(Decrease) increase in accounts payable to related parties	(66,710)	105,761
Net cash used in operating activities	(287,268)	(1,398,484)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of equipment	10,000	19,782
Proceeds on sale of exploration and evaluation assets	300,000	-
Loan receivable	-	(150,000)
Loan repaid and interest received	-	160,932
Exploration and evaluation expenditures	(274,077)	(1,789,850)
Proceeds on sale of marketable securities	248,027	3,848
Net cash provided by (used in) investing activities	283,950	(1,755,288)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issued	-	7,500
Loan proceeds	-	3,500,000
Interest paid	(715,069)	(80,000)
Net cash provided by (used in) financing activities	(715,069)	3,427,500
Net change in cash	(718,387)	273,728
Cash, beginning of the year	752,138	478,410
Cash, end of the year	$ 33,751	$ 752,138

Supplemental disclosures with respect to cash flows (Note 11)

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

TNR GOLD CORP.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number	Amount	Reserves	Deficit	Total
Balance, December 31, 2011	147,631,447	$ 34,961,872	$ 4,266,445	$ (26,705,277)	$ 12,523,040
Shares issued for mineral properties	110,000	7,950	-	-	7,950
Exercise of options	75,000	7,553	(53)	-	7,500
Equity investment – share-based payments	-	-	45,796	-	45,796
Equity investment – equity component of convertible debenture	-	-	28,826	-	28,826
Share-based payments	-	-	129,367	-	129,367
Loss for the year	-	-	-	(5,817,890)	(5,817,890)
Balance, December 31, 2012	147,816,447	34,977,375	4,470,381	(32,523,167)	6,924,589
Equity investment – share-based payments	-	-	17,003	-	17,003
Loss for the year	-	-	-	(947,216)	(947,216)
Balance, December 31, 2013	147,816,447	$ 34,977,375	$ 4,487,384	$ (33,470,383)	$ 5,994,376

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

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1. NATURE AND CONTINUANCE OF OPERATIONS

TNR Gold Corp. (the "Company") was incorporated on January 14, 1988 under the laws of the Province of British Columbia and is in the process of exploring its resource properties. The Company's head office address is Suite 620 – 650 West Georgia Street, Vancouver, BC, V6B 4N9. The registered and records office address is Suite 700 – 595 Burrard Street, Vancouver, BC, V7X 1S8. The Company is listed on the Toronto Stock Exchange-Venture and trades under the stock symbol "TNR".

The Company is in the process of exploring and developing its mineral properties located in Argentina, and the United States and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. The Company has not generated revenue from operations; additional financing will be required. These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

The Company will continue to pursue opportunities to raise additional capital through equity markets and/or debt to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

	2013	2012
Working capital (deficiency)	$ 197,371	$ (1,130,358)
Deficit	(33,470,383)	(32,523,167)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its subsidiaries.

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company transactions and accounts have been eliminated upon consolidation.

	Country of Incorporation	Principal Activity	Effective Interest
Compania Minera Solitario de Argentina S.A.	Argentina	Mining company	100%
Ameri Gold Corp.	Canada	Holding company	100%
0828073 BC Ltd.	Canada	Holding company	100%
TNR Gold Investment Corp.	BVI	Holding company	100%
Bristol Exploration Co. Inc.	USA	Mining company	100%

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant estimates relate to the valuation of deferred income tax amounts, certain financial instruments, impairment testing and the calculation of share-based payments. Share-based payments, as measured with respect to stock options granted, are estimated by reference to the Black-Scholes pricing model; a detailed discussion of management's estimates with respect to the pricing model is found in Note 9. The Company has reviewed its exploration and evaluation assets for indications of impairment and adjusted the carrying values of the exploration and evaluation assets to reflect management's decision to abandon certain properties. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred tax assets.

The most significant judgments relate to the recoverability of capitalized amounts, recognition of deferred tax assets and liabilities and the determination of the economic viability of a project.

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

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

Marketable securities and investment in securities

Securities held for trading are traded on a recognized securities exchange, are recorded at fair values based on quoted closing bid prices at the statement of financial position dates or closing bid prices on the last day the security traded if there were no trades at the statement of financial position dates with both realized and unrealized gains and losses recorded in profit or loss.

Investment in associate

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

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

Financial instruments (cont'd…)

Financial assets (cont'd…)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after 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.

The Company has classified its cash, marketable securities and securities as fair value through profit or loss and receivables as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company classified its accounts payable and accrued liabilities, promissory note, accounts payable to related parties and loan payable as other financial liabilities.

Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided annually over the estimated useful life using the following methods:

Computer equipment	30% declining balance
Mining analyzer	20% declining balance
Telephone equipment	30% declining balance

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

Mineral properties – exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have 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.

The carrying values of capitalized amounts are reviewed annually or when indicators of impairment are present. In the case of undeveloped properties these may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the intentions for the development of such a property.

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

Impairment of tangible and intangible 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 cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations.

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

Borrowing costs

Interest and other financing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

Share-based payments

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to operations, with an offsetting credit to share-based payment reserve, over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

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 is not set up.

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

New standards, interpretations and amendments adopted

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Company.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Company does not have any partnerships in JCEs, the adoption of this standard had no impact on the financial statements of the Company.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for all fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes additional disclosures regarding fair value measurements.

(Expressed in Canadian Dollars)

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

New standards yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2013:

▪ IFRS 9	New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets[(i)]
▪ IAS 32 (Amendment)	New standard that clarifies requirements for offsetting financial assets and financial liabilities. [(ii)]
▪ IAS 36 (Amendment)	This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal. [(ii)]
▪ IFRIC 21	This is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.[(ii)]

(i) Deferred indefinitely.
(ii) Effective for annual periods beginning on or after January 1, 2014

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

3. MARKETABLE SECURITIES

The Company holds marketable securities in certain publicly traded entities received as payment on option agreements and pursuant to the Los Azules settlement (Note 6). The securities are measured at fair value by reference to quoted stock prices on established exchanges. As at December 31, 2013, the fair value of securities held was $1,875,900 (2012 - $5,200) and had a cost base of $2,108,761 (2012 - $101,761).

During the year ended December 31, 2013, the Company sold 100,000 shares of McEwen Mining Inc. ("McEwen") for proceeds of $248,027 and realized a gain of $25,027. During the year ended December 31, 2012, the Company sold shares for proceeds of $3,848 and recognized a realized loss on sale of $218.

4. INVESTMENTS

a) Investment in Associate

The Company accounts for its investment in ILC on an equity basis. As at December 31, 2013, the Company holds a 24.6% (2012 – 24.7%) interest in ILC.

(Expressed in Canadian Dollars)

4. INVESTMENTS (cont'd…)

a) Investment in Associate (cont'd…)

Investment in associate as at December 31, 2013 is as follows:

	Number of ILC Shares		Investment in Associate
Balance as at December 31, 2011	19,000,000	$	1,060,699
Equity investment – share-based payments	-		45,796
Equity investment – equity component of convertible loan	-		28,826
Dilution gain on equity investment	-		69,379
Equity loss for the year	-		(309,869)
Balance as at December 31, 2012	19,000,000		894,831
Equity investment – share-based payments	-		17,003
Dilution gain on equity investment	-		107
Equity loss for the year	-		(273,446)
Balance as at December 31, 2013	19,000,000	$	638,495

The table below discloses selected financial information for ILC on a 100% basis.

		2013		2012
Loss and comprehensive loss for the year	$	(1,110,090)	$	(1,233,121)
Total assets	$	6,438,760	$	6,061,857
Total liabilities		3,518,334		2,107,866
Total equity		2,920,426		3,953,991

b) Investment in Securities

In fiscal 2011, the Company received 19,000,000 ILC warrants. The ILC warrants expired on May 19, 2013 resulting in a realized loss of $95,000 (2012 – unrealized loss of $190,000).

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Computer equipment	Mining analyzer	Telephone equipment	Total
Cost				
Balance, December 31, 2011 and 2012	$ 35,412	$ 50,640	$ 9,480	$ 95,532
Dispositions during the year	-	(50,640)	-	(50,640)
Balance, December 31, 2013	$ 35,412	$ -	$ 9,480	$ 44,892
Accumulated depreciation				
Balance, December 31, 2011	$ 32,946	$ 29,117	$ 8,592	$ 70,655
Depreciation for the year	704	4,305	266	5,275
Balance, December 31, 2012	33,650	33,422	8,858	75,930
Depreciation for the year	1,762	-	622	2,384
Dispositions during the year	-	(33,422)	-	(33,422)
Balance, December 31, 2013	$ 35,412	$ -	$ 9,480	$ 44,892
Carrying amounts				
As at December 31, 2012	$ 1,762	$ 17,218	$ 622	$ 19,602
As at December 31, 2013	$ -	$ -	$ -	$ -

During the year ended December 31, 2013, the Company sold the mining analyzer for proceeds of $10,000 and recognized a loss on disposal of $7,218.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

Summary of exploration and evaluation assets for the year ended December 31, 2013:

December 31, 2013	December 31, 2012	Recoveries and write-offs	Total Acquisition Costs	Exploration Costs	Recoveries and write-offs	Property Total December 31, 2013
Argentina						
Solitario Properties	$ 325,000	$ (325,000)	$ -	$ 1,038,284	$ (1,038,284)	$ -
Canada						
Big Beaverhouse (Ontario)	-	-	-	38,946	(38,946)	-
Seabrook (Ontario)	-	-	-	64,331	(64,331)	-
Soules Bay (Ontario)	30,690	(30,690)	-	8,973	(8,973)	-
	30,690	(30,690)	-	112,250	(112,250)	-
United States						
Shotgun Claims (Alaska)	1,927,580	-	1,927,580	6,730,930	-	8,658,510
Lake Illiamna-Bristol Bay (Alaska)	70,571	(70,571)	-	589,908	(589,908)	-
	1,998,151	(70,571)	1,927,580	7,320,838	(589,908)	8,658,510
	$ 2,353,841	$ (426,261)	$ 1,927,580	$ 8,471,372	$ (1,740,442)	$ 8,658,510

Summary of exploration and evaluation assets for the year ended December 31, 2012:

December 31, 2012	December 31, 2011	Acquisition Additions	Total Acquisition Costs	Exploration Costs	Write-offs	Property Total December 31, 2012
Argentina						
Solitario Properties	$ 300,000	$ 25,000	$ 325,000	$ 1,027,920	$ -	$ 1,352,920
El Salto	104,028	-	104,028	2,955,532	(3,059,560)	-
El Tapau	-	25,657	25,657	2,799	(28,456)	-
	404,028	50,657	454,685	3,986,251	(3,088,016)	1,352,920
Canada						
Big Beaverhouse (Ontario)	-	-	-	38,946	-	38,946
Seabrook (Ontario)	19,650	28,200	47,850	113,526	(104,613)	56,763
Soules Bay (Ontario)	16,065	14,625	30,690	8,623	-	39,313
	35,715	42,825	78,540	161,095	(104,613)	135,022
United States						
Shotgun Claims (Alaska)	1,927,580	-	1,927,580	6,565,878	-	8,493,458
Lake Illiamna-Bristol Bay (Alaska)	70,571	-	70,571	588,543	-	659,114
	1,998,151	-	1,998,151	7,154,421	-	9,152,572
	$ 2,437,894	$ 93,482	$ 2,531,376	$ 11,301,767	$ (3,192,629)	$ 10,640,514

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Title to mineral property interests

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Solitario Properties (Argentina)

Batidero (Argentina)

The Company has a 25% interest in the Batidero property in San Juan Argentina. NGEx Resources Inc. ("NGEx") holds the remaining 75% interest of which Japan Oil, Gas and Metal National Corporation can earn a 40% interest of NGEx's 75% interest. During the year ended December 31, 2013, the Company sold its 25% interest in Batidero for $300,000 (received) which resulted in a gain on sale of exploration and evaluation assets of $275,000 and retained a 7% net profits royalty.

Los Azules (Argentina)

During the year ended December 31, 2013, the Company finalized a settlement with Minera Andes Inc., Minera Andes S.A., Los Azules Mining Inc. ("LAMI"), Andes Corporacion Minera S.A. ("Andes" and, together with LAMI, "Minera Andes"), McEwen and MIM Argentina Exploraciones S.A. which resolves litigation with respect to the Los Azules copper project that was commenced in 2008.

Pursuant to the settlement agreement, each party terminated all of its claims relating to the ongoing litigation related to the Los Azules project, the Company transfered to Minera Andes all of its interest in an adjacent property known as Escorpio IV, the Company received 1,000,000 common shares in the capital of McEwen, and Minera Andes and the Company entered into an amended and restated exploration and option agreement which includes:

1. restoring a 25% back-in right (the "Back-in Right") to the Company, exercisable following the completion of a feasibility study, without the requirement that the feasibility study be completed within 36 months of the exercise of the option thereunder (which 36 month restriction was the subject of part of the litigation);
2. amending the net smelter royalty ("NSR") (which the Company will be entitled to under certain circumstances discussed below) from 1% to 0.6%; and
3. amending the definition of the NSR to be an industry-standard definition.

The Back-in Right allows the Company to back-in to the project for up to a 25% interest in the northern part of the Los Azules property. Upon execution of the Back-in Right, the Company will be obligated to pay Minera Andes two times the corresponding percentage proportion of Minera Andes' expenses in relation to the property or its exploration. Upon payment of such amount, the Company's wholly-owned subsidiary, Solitario, will be entitled to a pro rata share of the product and liable for a pro rata share of the expenses relating to the property. Solitario may elect to contribute on a pro rata basis to the costs of maintaining and developing mining operations on the property or its interest will be diluted at the rate of 1% for every US$250,000 of expenditures incurred by Minera Andes.

If the Company backs-in to an interest in the property of 5% or less, or its interest is diluted (as described in the preceding paragraph) to such percentage, in lieu of an equity interest in the property, the Company shall be entitled to a NSR of 0.6% based upon the minerals extracted from the northern part of the Los Azules property.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Los Azules (Argentina) (cont'd…)

The 1,000,000 common shares in the capital of McEwen were received by the Company at a value of $2,230,000 following the completed transfer of title of Escorpio IV to McEwen and are included in marketable securities (Note 3). The Company recognized a recovery of $1,573,533 in excess of the carrying value of the Los Azules property.

During the year ended December 31, 2013, the Company settled a collateral claim related to the Los Azules litigation and received $1,000,000 from third party insurers.

La Ortiguita (Argentina)

The Company has a 25% interest in the La Ortiguita property in San Juan Argentina and retains a 1.5% NSR royalty. LaMancha Resources Ltd. owns the remaining 75% interest. As of December 31, 2013, the Company elected to write-off all associated costs capitalized to La Ortiguita property as exploration activity on the claims will not be pursued in the near term.

Additional Properties (Argentina)

The Company has title to a number of additional claims in Argentina. The Company is in the process of reviewing these holdings and does not intend to perform additional exploration work in the near future. Consequently, the Company wrote-off exploration and evaluation assets of $681,817 as at December 31, 2013.

El Salto (Argentina)

In 2006, the Company entered into an option agreement for the right to earn a 100% interest in the El Salto property, located in San Juan Province, Argentina. To exercise the option, the Company paid a total of US$100,000 and incurred US$1,000,000 in exploration expenditures over five years, during which the Company was also required to pay US$500,000.

During the year ended December 31, 2012, the Company elected to terminate the option agreement and recognized a write-down of $3,059,560 on the property.

El Tapau (Argentina)

On August 29, 2007, the Company signed an agreement, subject to subsequent amendments, with Petra Gold Servicios Mineros ("Petra") (a related party due to a common officer) and Gustavo Pezzani to earn a 70% interest of their 75% interest in the El Tapau property located in the San Juan Province of Argentina. To earn its 70% interest, the Company would pay a total of US$1,000,000 (US$425,000 paid) over five years and incur US$3,000,000 (stages of US$2,000,000 incurred) in exploration expenditures over four years.

On December 31, 2011, the Company wrote-off $438,294 in mineral property acquisition costs and $2,127,292 in exploration and evaluation costs as a result of being in default on the El Tapau property option agreement. During the year ended December 31, 2012, the Company formally terminated the agreement and wrote-off costs incurred of $28,456.

Lake Illiamna-Bristol Bay (Alaska)

The Company owns a 100% interest in certain mineral claim blocks located in the Lake Illiamna-Bristol Bay Area, Alaska, U.S.A.

During the year ended December 31, 2013, the Company relinquished its interest in the Lake Illiamna property and recognized a write-off of $660,479.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Shotgun Claims (Alaska)

The Company owns 100% of certain unpatented mineral claims located in the Kuskokwim and Bristol Bay district, Alaska. During the year ended December 31, 2013, the Company staked 66 additional mining claims, each 160 acres, surrounding the Shotgun Ridge prospect.

NovaGold Resources Alaska, Inc. retains a 2% NSR royalty which can be purchased by the Company for US$5,000,000 any time prior to a production decision being made. A portion of the claims are subject to a 5% net proceeds royalty.

Big Beaverhouse (Ontario)

On October 14, 2009, the Company acquired, by staking certain claims known as the Big Beaverhouse property located in Ontario, Canada. During the year ended December 31, 2013, the Company decided not to pursue the property and wrote-off exploration and evaluation assets of $38,946.

Seabrook Lake (Ontario)

In fiscal 2011, the Company acquired the Seabrook Lake property consisting of three claims in Ontario, Canada. Two of the claims were acquired through staking and the remaining claim is under option to the Company.

During the year ended December 31, 2012, the Company elected to allow the Seabrook Lake option to lapse and wrote-down associated costs of $104,613. During the year ended December 31, 2013, the Company decided not to pursue the property and wrote-off exploration and evaluation assets of $64,331.

Soules Bay (Ontario)

In fiscal 2011, the Company signed a purchase option agreement to earn a 100% interest in the Soules Bay property located in Thunder Bay, Ontario. To earn its 100% interest, the Company was required to pay a total of $99,065 and issue 150,000 common shares to the Optionor over four years.

The project is subject to a 2% NSR royalty. The Company has the option to purchase half (1%) of the NSR royalty for $1,000,000 at any time.

During the year ended December 31, 2013, the Company relinquished its interest in the Soules Bay property and recognized a write-off of $39,663.

7. PROMISSORY NOTE PAYABLE

In fiscal 2011, the Company signed a promissory note payable with a principal sum of $1,000,000. The entire outstanding principal balance, (together with accrued interest), is due and payable in full by the Company on February 15, 2014. Interest accrues at a rate of 8% per annum, and is payable quarterly, on the last day of each quarter. During the year ended December 31, 2013, the Company paid $40,000 (2012 - $80,000) in interest.

Subsequent to the year ended December 31, 2013, the Company settled the promissory note of $1,000,000 plus accrued interest.

(Expressed in Canadian Dollars)

8. LOAN PAYABLE

During the year ended December 31, 2012, the Company signed a loan agreement for $3,500,000. The loan accrues interest at a rate of 20% per annum with interest payments made annually. The loan is due and payable on or before May 31, 2015 and is secured by a promissory note and general security agreement.

During the year ended December 31, 2013, the Company paid or accrued $675,069 (2012 - $Nil) in interest expense.

9. SHAREHOLDERS' EQUITY

Authorized:

Unlimited common shares without par value

Unlimited class "A" non-voting convertible redeemable shares without par value.

Stock options

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock for a period preceding the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2011	11,100,000	$ 0.10
Granted	3,475,000	0.10
Exercised	(75,000)	0.10
Expired/cancelled	(550,000)	0.10
Balance, December 31, 2012	13,950,000	0.10
Expired	(2,420,000)	0.10
Balance outstanding and exercisable, December 31, 2013	11,530,000	$ 0.10

(Expressed in Canadian Dollars)

9. SHAREHOLDERS' EQUITY (cont'd…)

Stock options (cont'd…)

As at December 31, 2013, the following incentive stock options are outstanding:

Number of Options	Exercise Price	Expiry Date
430,000	$ 0.10	March 19, 2014*
1,150,000	0.10	May 20, 2014
250,000	0.10	September 10, 2014
2,350,000	0.10	January 5, 2015
400,000	0.10	July 7, 2015
3,475,000	0.10	July 28, 2016
500,000	0.10	January 19, 2017
2,475,000	0.10	September 10, 2017
400,000	0.10	November 19, 2017
100,000	0.10	December 10, 2017
11,530,000		

*Expired unexercised subsequent to year end.

Share-based payments

During the year ended December 31, 2012, the Company granted 3,475,000 stock options. The fair value per option calculated using the Black-Scholes option-pricing model was $0.04 for total share-based payment expense recognized in the statement of operations and comprehensive loss of $129,367.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the year:

	2013	2012
Risk-free interest rate	-	1.38%
Expected life of options	-	5 years
Expected annualized volatility	-	95.00%
Dividend yield	-	0.00%

(Expressed in Canadian Dollars)

9. SHAREHOLDERS' EQUITY (cont'd…)

Warrants

Warrant transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2011 and 2012	5,500,000	$ 0.33
Expired	(3,000,000)	0.30
Balance outstanding and exercisable, December 31, 2013	2,500,000	$ 0.37

At December 31, 2013, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
2,250,000	$ 0.40	December 17, 2014[(1)]
250,000	0.10	December 17, 2014[(1)]
2,500,000		

(1) Upon exercise, warrant holder will receive one common share of the Company and one quarter of one ILC share. The exercise price paid will be split between the Company and ILC on the ratio of the fair market value of the lithium and rare metals assets and Mariana property transferred to ILC pursuant to the plan of arrangement has to the fair market value of the assets of the Company.

10. RELATED PARTY TRANSACTIONS

Accounts payable to related parties at December 31, 2013 and 2012 consist of amounts due to directors, and officers for services rendered and expense reimbursements. With the exception of the short-term promissory noted described below, all amounts are non-interest bearing and have no formal terms of repayment.

Included in accounts payable to related parties as at December 31, 2013 is a short-term promissory note payable to a director of the Company's subsidiary. The promissory note has a principal balance of US$50,000 which accrues interest at a rate of 12% per annum. The promissory note was granted with respect to the termination of a formal compensation arrangement with the Director and is due no later than June 30, 2014.

During the year ended December 31, 2012, the Company granted a short term unsecured five month bridge loan of $150,000 to ILC, of which the Company is a significant shareholder. The loan was repaid with interest of $10,932 within the fiscal year.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (cont'd…)

Management Compensation and other related party transactions

During the years ended December 31, 2013 and 2012, the Company paid or accrued:

Transaction	Relationship		2013		2012
Management fees	A company controlled by a director	$	90,000	$	135,000
Administration fees	Spouse of a director		12,000		15,000
Administration fees	Officer of a subsidiary		227,796		144,462
Exploration expenditures	Private company with common director		52,919		258,172
Exploration expenditures	Private company controlled by an officer		33,672		-
Rent	Private company with common director		31,330		31,200
Consulting fees	A company controlled by a director		18,075		4,500
Consulting fees	A company controlled by an officer		60,000		90,000
Consulting fees	A company controlled by an officer		34,940		5,275
Consulting fees	Former Chief Operating Officer		-		6,000
Consulting fees	Director		90,000		135,000
Consulting fees	Director		18,000		-
Legal fees	Director of Company's subsidiary		-		16,721
Exploration expenditures	Private company in which an officer has a significant shareholding		6,042		21,137

Commitments - Consulting agreements

The Company has entered into consulting agreements with three officers of the Company for the provision of consulting services at a current cost of $60,000, $90,000 and $90,000 per annum respectively. The agreements renew annually at the discretion of the Company's compensation committee. If any of the agreements are terminated without cause, the Company is required to pay a lump sum equal to the greater of (a) one months' fees for each year the consultant has acted on behalf of the Company and (b) twelve months' worth of fees. Should the Company be subject to a change in control and the consultant terminated without cause, the Company must pay an amount equal to three times the prior twelve months gross pay.

Commitments - Bonus

In the event the Company completes the sale of its subsidiary Solitario or its interest in the Los Azules Project, a bonus of up to US$200,000 is payable to a Director of Solitario. The bonus is calculated as 0.5% of net proceeds received by the Company in the aforementioned transaction.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended December 31, 2013 and 2012:

		2013		2012
Shares issued for exploration and evaluation assets	$	-	$	7,950
Marketable securities received pursuant to the Los Azules settlement		2,230,000		-
Accrued exploration expenditures in accounts payable and accrued liabilities		2,770		6,076
Accrued exploration expenditures in accounts payable to related parties		4,016		90,088

(Expressed in Canadian Dollars)

12. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the year ended December 31 is as follows:

	2013	2012
Loss before income taxes	$ (947,216)	$ (5,817,890)
Expected income tax (recovery)	$ (244,000)	$ (1,454,000)
Non-deductible and other items	76,000	94,000
Changes in statutory, foreign tax, foreign exchange rates and other	(15,000)	(413,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(175,000)	-
Change in unrecognized deductible temporary differences	358,000	1,773,000
Income tax recovery	$ -	$ -

Amount of deferred tax assets are as follows:

	2013	2012
Deferred income tax assets:		
Exploration and evaluation assets	$ 10,045,000	$ 10,844,000
Property and equipment	61,000	272,000
Marketable securities	705,000	1,167,000
Other deferred tax assets	3,000	44,000
Allowable capital losses	-	7,000
Non-capital losses available for future period		
Canada	9,212,000	7,900,000
US	12,000	11,000
Argentina	5,410,000	5,100,000
Net deferred income tax assets not recognized	$ 25,448,000	$ 25,345,000

Tax attributes are subject to review, and potential adjustment by tax authorities.

The Company's non-capital losses, if not utilized, will expire for Canada and the US through 2033 and for Argentina through 2018. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements.

13. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not have adequate sources of capital to complete its exploration plan, current obligations and ultimately the development of its business over the long term, and will need to raise adequate capital by obtaining equity financing, selling assets and/or incurring debt. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments

In accordance with IFRS 13 and the amendments to IAS 34, the Company is required to disclose the fair value of each class of financial assets and liabilities in the consolidated financial statements.

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash, receivables, accounts payable and accrued liabilities, promissory note and accounts payable to related parties approximates fair value due to the short term nature of the financial instruments. Marketable securities and investments in securities are classified as fair value through profit or loss and measured at fair value using level 1 inputs.

Long-term debt is measured at amortized cost. Fair value of long-term debt is estimated using discounted cash flow analysis based on the borrowing rate for similar borrowing arrangements. The fair value of the Company's long-term loan approximates its carrying value (inclusive of accrued interest included in accounts payable and accrued liabilities) as the interest rate is comparable to similar borrowing arrangements.

Risk management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include, credit risk, currency risk, interest rate risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables mainly consist of GST receivable due from the government of Canada.

14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd…)

Risk management (cont'd…)

Currency risk

The Company's operations are in Argentina, Canada and the United States. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The Company's operating expenses are incurred primarily in Canadian dollars, its exploration programs are primarily in Argentina and the United Sates and are denominated in either US dollars or Argentinean Pesos, and its liabilities are denominated primarily in Canadian dollars, US dollars, or Argentinean Pesos. Consequently, the Company's exploration programs in Argentina and the US are subject to currency fluctuations. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions.

The Company has debt instruments at fixed rates and is therefore not exposed to risk in the event of interest rate fluctuations. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings, short-term debt and the optioning of its mineral properties to other mining entities to satisfy its capital requirements and will continue to depend heavily upon these financing activities. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company's promissory note matured and was settled subsequent to year end. The loan matures May 31, 2015. The Company is exposed to risk that it will encounter difficulty in satisfying liabilities on maturity. The loan is secured by a promissory note and general security agreement.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants, the completion of other equity financings and or optioning its mineral properties to other mining entities. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

15. SEGMENTED INFORMATION

The Company operates in one business segment which is the acquisition and exploration of mineral properties. The geographic distribution of exploration and evaluation assets is disclosed in Note 6. All equipment is situated in Canada.

16. COMMITMENTS AND CONTINGENCY

Financial Advisory Commitment

During the year ended December 31, 2013, the Company engaged PI Financial Corp. ("PI") as a financial adviser in connection with selling the Company's back-in right on the Los Azules copper project. Following the completion of a transaction, the Company will pay to PI a success fee relative to total consideration received from a third party for the back-in right subject to certain minimums.

Contingency

The Company is aware of an ongoing investigation by the Argentine Central Bank related to an inadvertent clerical error in certain compliance filings made in Argentina. The outcome of the investigation is uncertain. The Company has completed the requisite filings and is working to resolve the investigation.

17. SUBSEQUENT EVENT

Subsequent to the year ended December 31, 2013, the Company granted ILC a short term loan in the amount of $200,000. The loan bears interest at 20% per annum and is due September 30, 2014.