

SUPPLEMENTARY INFORMATION
FOR THE THREE MONTHS ENDED DECEMBER 31, 2013

MANAGEMENT DISCUSSION & ANALYSIS

Supplementary Information and MD&A
For the three months ended December 31, 2013

Filed: February 28, 2014

A copy of this report will be provided to any shareholder who requests it.

FORWARD LOOKING STATEMENTS

Certain of the statements made herein may constitute “forward-looking statements” or contain “forward-looking information” within the meaning of applicable Canadian securities laws. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as “anticipate”, “believe”, “plan”, “estimate”, “expect”, and “intend”, statements that an action or event “may”, “might”, “could”, “should”, or “will” be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the potential for additional mineralization at the Company’s properties, the timelines to complete the Company’s exploration programs, timing for permit applications, timing for new resource estimates, timing to complete technical reports, forecasts for exploration expenditures, estimates of future administrative costs and statements about the Company’s future development of its properties. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mine exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company’s expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the potential for unexpected costs and expenses and commodity price; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company’s Business in the MD&A.

Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of commodities; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. The Company does not intend to update forward-looking statements or information, except as may be required by applicable law.

1. DESCRIPTION OF BUSINESS AND REPORT DATE

Callinex Mines Inc. (the “Company” or “Callinex”) is principally engaged in the acquisition, exploration and development of exploration & evaluation assets in the provinces of Manitoba, Saskatchewan and British Columbia and has not yet determined whether its exploration & evaluation assets contain ore reserves that are economically recoverable. The Company defers all acquisition, exploration and development costs related to mineral properties. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the property, and any future profitable production, or alternatively, upon the Company’s ability to dispose of its interests on an advantageous basis.

The Company has no operations that generate cash flow and its long-term financial success is dependent on management’s ability to discover and develop economically viable mineral deposits. Exploration is a lengthy process that can take many years and is subject to factors that are beyond the Company’s control.

In order to finance the Company’s exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, and from the exercise of securities. Although the Company has had past success in obtaining financing, there can be no such assurance that it will be able to obtain adequate financing in the future or that the terms of any financing will be favorable. Many factors influence the Company’s ability to raise funds, including the state of the resource market and commodities prices, the climate for mineral exploration, the Company’s track record and the experience and caliber of its management.

Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activity. The Company intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. Financial statements and summary information derived there from are prepared in accordance with International Financial Reporting Standards (“IFRS”).

Management is responsible for the preparation and integrity of the financial statements and MD&A, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company’s board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board’s audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The following management discussion is for the three months ended December 31, 2013 and includes relevant information up to February 26, 2014 (the “Report Date”). It should be read in conjunction with the financial statements and related notes which have been prepared in accordance with international financial reporting standards (“IFRS”).

2. EXPLORATION HIGHLIGHTS

During the three months ended December 31, 2013 the Company conducted exploration activities on its Manitoba properties. Activities consisted of diamond drilling results, claim staking, and project evaluation.

During the three months ended December 31, 2013 the Company obtained exploration permits for the FlinFlon, Pine Bay and the Gossan properties. The Company also applied for an exploration permit and two new Mineral Exploration Licenses (“M.E.L.”) for its Neuron property located in the Thompson Nickel Belt. Each M.E.L. consists of 5,332 ha and 5,033 ha respectively and are contiguous to the previous M.E.L. already owned by the Company. The Company also stated 7 claims, each consisting of 256 h, east of the M.E.L.

Additionally, at the Neuron property an airborne VTEM survey was conducted on part of M.E.L. 1023A. The airborne survey targeted areas of high conductivity and low resistivity. The airborne identified several targets on M.E.L. 1023A. The company intends to test those targets during next quarter by diamond drilling.

3. DISCUSSION OF OPERATIONS AND FINANCIAL CONDITIONS

During the three months ended December 31, 2013, the Company received \$6,935 in finance income from the investment of its excess cash in short-term investments. Actual general and administrative expenses were \$394,866 for the quarter compared to \$444,929 for the same period last year. Cash and cash equivalents on hand at the end of the period was \$2,807,726 compared to \$3,953,556 for the same period last year. All excess cash is invested in short-term securities to generate interest revenue.

Net loss per the financial statement for the period is \$359,931 and after recording deferred tax recovery of \$28,000 and both basic and diluted loss per common share for the period was \$0.01 compared to \$0.02 last year.

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

The following financing transaction took place during the three months ended December 31, 2013.

1,561,499 units priced at \$0.35 per unit were issued for net proceeds of \$530,969.

526,000 units priced at \$0.37 were issued for net proceeds of \$200,070.

The following financing transaction took place during the three months ended December 31, 2012.

1,725,000 common shares priced at \$0.40 were issued for net proceeds of \$690,000.

The following table sets forth selected quarterly financial information at the end of the periods shown below. The financial information is derived from the Company's audited financial statements.

	For the Three Months Ending							
	Fiscal 2014	Fiscal 2013				Fiscal 2012		
	Dec 31(\$)	Sep 30(\$)	Jun 30(\$)	Mar 31(\$)	Dec 31(\$)	Sep 30(\$)	Jun 30(\$)	Mar 31(\$)
Income Statement Data								
Total revenues	6,935	13,793	11,016	9,566	17,319	25,531	29,733	32,350
Income (loss) before income taxes	(387,931)	(718,787)	(1,313,801)	(334,774)	(427,610)	(3,414,909)	(578,982)	(495,977)
Deferred Income tax (expense)/recovery	28,000	(165,000)	107,000	(46,823)	112,916	639,999	415,193	157,222
Net loss	(359,931)	(883,787)	(1,206,801)	(381,597)	(314,694)	(2,774,910)	(163,789)	(338,755)
Income (loss) per common share outstanding - basic and diluted								
Income (loss) before income taxes	(0.01)	(0.04)	(0.06)	(0.01)	(0.02)	(0.12)	(0.031)	(0.027)
Net income (loss) per share	(0.01)	(0.04)	(0.06)	(0.01)	(0.02)	(0.15)	(0.008)	(0.018)

Revenues for the period ending December 31, 2012 to June 2013 includes dividend revenue of \$1,400 and \$2,800 respectively, while revenues for the remaining periods resulted from interests only.

a) Administration Expenses

For the three months ended December 31, 2013 general and administration expenses is \$394,886, a decrease of \$50,063 when compared to the same period last year. This decrease is attributed mainly to reductions of \$73,783 in consulting fees and \$37,299 in property expenses, offset by an increase of \$27,077 in salaries for the addition of one employee and a non-cash expense increase of \$39,817 in share-based compensation resulting from the granting of stock options to a director. All other expenses were in line with last year.

b) Trend Information

Other than the financial obligations as set out in item 7 below, there are no identifiable trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the Company's liquidity either increasing or decreasing at

present or in the foreseeable future. The Company will require sufficient capital in the future to meet its acquisition payments and other obligations under exploration & evaluation assets option agreements for those properties it considers worthy to incur continued holding and exploration costs upon. The need to make such payments is a trend as it is unlikely that all such obligations will be eliminated from the Company's future business activities. The Company intends to utilize its cash on hand in order to meet its obligations under mineral property option agreements and exploration activities. At this time the Company has no plan or intention to issue any debt in order to raise capital for future requirements.

It is the opinion of the Company that its liquidity will be most affected by the results of its own acquisition, exploration, and development activities. The acquisition or discovery of an economic mineral deposit on one of its exploration & evaluation assets may have a favourable effect on the Company's liquidity, and conversely, the failure to acquire or find one may have a negative effect.

c) Risk Factors

The Company, and thus the securities of the Company, should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this Report prior to making an investment in the Company. In addition to the other information presented in this Report, the following risk factors should be given special consideration when evaluating an investment in the Company's securities.

General

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in quantity and quality to return a profit from production.

The Company evaluates its property interests on an ongoing basis and intends to abandon properties that fail to remain prospective. The Company is confident that it will be able to meet its earn-in obligations on those properties which management considers to be of merit. At the time of writing the Company expects to incur further property exploration and acquisition expenses.

The Company's business is subject to exploration and development risks

All of the Company's properties are in the exploration stage and no known reserves have been discovered on such properties. There is no certainty that the expenditures to be made by the Company or its joint venture partners in the exploration of its properties described herein will result in discoveries of metals in commercial quantities or that any of the Company's properties will be developed. Most exploration projects do not result in the discovery of economic deposits of metals and no assurance can be given that any particular level of recovery of metals will in fact be realized or that any identified resource will ever qualify as a commercially mineable (or viable) resource which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permit regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of metals ultimately discovered may differ from that indicated by drilling results. There can be no assurance that metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

Political and economic instability may affect the Company's business

The Company's activities in Canada are subject to risks common to operations in the mining industry in general.

The Company's properties are subject to title risks

The Company has investigated title to all of its exploration & evaluation assets and, to the best of its knowledge, title to all of its properties, and properties that it has the right to acquire or earn an interest in are in good standing. However, the Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. These defects could adversely affect the Company's title to such properties or delay or increase the cost of the development of such properties.

The Company's properties may also be subject to Aboriginal or other historical rights that may be claimed on Crown properties or other types of tenure with respect to which mineral rights have been conferred. The Company is not aware of any Aboriginal land claims having been asserted or any legal actions relating to Aboriginal issues having been instituted with respect to any of the exploration & evaluation assets in which the Company has an interest, with the possible exceptions of Coles Creek and Island Lake. The Company is in continuous communication with the interested parties in regards to these two properties. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such co-operation.

Environmental risk

Environmental legislation on a global basis is evolving in a manner that will ensure stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessment of proposed development and a higher level of responsibility for companies and their officers, directors and employees. There is no assurance that future changes to environmental legislation in Canada will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown at present and which have been caused by previous or existing owners or operators. Furthermore, future compliance with environmental reclamation, closure and other requirements may involve significant costs and other liabilities. In particular, the Company's operations and exploration activities are subject to Canadian federal and provincial laws and regulations governing protection of the environment. Such laws are continually changing and, in general, are becoming more restrictive.

The mineral exploration industry is extremely competitive

The resource industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition could adversely affect the Company's ability to acquire suitable new producing properties or prospects for exploration in the future. Competition could also affect the Company's ability to raise financing to fund the exploration and development of its properties or to hire qualified personnel.

Metal prices affect the success of the Company's business

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Factors beyond the control of the Company may affect the marketability of any minerals discovered. No assurance may be given that metal prices will remain stable. Significant price fluctuations over short periods of time may be generated by numerous factors beyond the control of the Company, including domestic and international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The effect of these factors on the price of minerals and therefore the economic viability of any of the Company's exploration projects cannot accurately be predicted. As the Company's properties are in the exploration stage, the above factors have had no material impact on present operations or income.

d) Exploration Programs and Expenditures

By way of the plan of arrangement approved by the shareholders of Callinan on July 13, 2011, Callinan transferred its exploration and evaluation assets to Callinex. All rights to purchase a royalty or a portion of a royalty attached to any of the exploration and evaluation assets transferred remains with Callinan.

During the three months ended December 31, 2013 the Company incurred exploration & evaluation assets expenditures of \$297,771 and received a tax credit of \$38,973 from the Mineral Exploration Assistance Program in Manitoba for work done on the Gossan and Herblet claims. Acquisition costs were \$10,500 paid for the Neuron claim while exploration expenditures were net of the tax credit for the year were \$248,298, spent on the Company's Gossan/Rug and Neuron properties in Manitoba.

(i) Sneath Lake

The Company holds claims in the Flin Flon area of Manitoba. \$948,044 has been expended on this property.

(ii) Coles Creek

On August 1, 2005 an agreement was entered into with Mike Muzylowski, who was president of Callinan at the time, under which Callinan was granted the option to acquire a 100% interest in two claims in the Omenica Mining Division of British Columbia. The claims are located approximately 80 km South West of Houston, British Columbia. Under the terms of the agreement, Mr. Muzylowski, who had owned the claims since September of 1994, prior to his appointment as President of Callinan, was paid \$50,000 which has been accepted by the TSX Venture Exchange as reimbursement for expenses incurred. If the option was exercised on or before September 1, 2008, \$200,000 would be due to Mr. Muzylowski. The option was exercised and Mr. Muzylowski agreed to defer this payment date to September 1, 2009 in consideration for a payment of \$5,000. In September 2009 Mr. Muzylowski again agreed to defer this payment in lieu of a payment of \$5,000. During August 2010 payment of the full amount was made to Mr. Muzylowski. To maintain the option in good standing, Callinan had to expend \$500,000 on exploration of the claims prior to September 1, 2008. All obligations were met by expending \$17,299,195 on the claims of which \$1,856,271 was recovered from the

British Columbia Mining Exploration Tax Credit program. If the claims are placed into production, Mr. Muzykowski will be entitled to a 5% royalty on net smelter returns, of which one half or 2.5% can be purchased for \$1,500,000.

(iii) Fox River

On March 15, 2003 an option to purchase the Fox River Property was acquired. The option stated that the a 50% interest could be earned by expending \$500,000 by March 15, 2005; a further 10% by expending \$1,000,000 to March 15, 2007; and a further 10% by producing a feasibility study by March 15, 2008. The seller retains a 2 1/2% net smelter return royalty (NSR). 1% of the NSR may be purchased for \$1,000,000.

On March 15, 2006, an amendment was made to the agreement whereby, the deadline for expending \$1,000,000 to acquire the 60% interest was extended to March 15, 2008, and the deadline for the feasibility study and acquiring a further 10% extended to March 15, 2010.

On March 19, 2004 assigned half of the interest in the Fox River property to Bell Resources ("Bell") in exchange for Bell making cash payments to the Company of \$25,000 and by expending \$250,000 on the property by March 15, 2005. Bell had the option to acquire a further 5% by expending \$500,000 on the property by March 15, 2007. Bell could earn a further 5% property interest from the Company by paying 50% of the cost of a feasibility study prior to March 15, 2008. Bell met the expenditure requirements to date on the project, thus earning an additional 5%. The above amendment on March 15, 2006 also extended to this joint venture with Bell.

On February 21, 2005 the agreement with Bell was amended to allow Bell to pay by issuing 1,250,000 common shares of Bell at a deemed price of \$0.20 per share in lieu of expending \$250,000 before March 15, 2005. By doing so Bell earned 25% of the Company's interest in the property. The TSX Venture Exchange approved the transaction on April 22, 2005.

On April 14, 2008 the agreement with Bell was again amended to allow Bell to withdraw from the joint venture. As Bell will no longer be participating in the project, its 30% interest in the property will be diluted based on the dilution provisions in the original agreement of March 19, 2004 as exploration continues on this property. Callinex has agreed to keep Bell apprise of results of exploration and the funds expended on the property.

Bell can re-affirm its participation at the start of each exploration season and can do so at the percentage it then has, taking into account the dilution which has taken place. If Bell's interest in the property drops below 5% it will be deemed to have no interest in the property. If a discovery is made, provided that Bell still has an interest in the property it may sell its interest after giving the Company a right of first refusal or start funding its percentage share of the joint venture with the provision that if it falls below 5% the provision above will apply.

On October 9, 2009 the agreement was again amended. The new agreement now states that a further 10% interest could be earned, for a total of 70% interest in the Mineral Claims by paying an additional \$200,000 by October 30, 2009, which was done. All other terms remains the same, except the deadline for the feasibility study has been removed. After all requirements have been satisfied, the Company will have an 80% interest in the property subject to the interest of Bell, if any.

\$6,217,637 had been expended on this project with recovery of \$2,042,741 was recovered through the MEAP program and the joint venture with Bell for a net of \$4,174,896. All obligations to date have been met.

(iv) Moak and Norris Lake

On May 14, 2007 an option agreement entered into for the Moak Claims and Norris Lake property in Manitoba. This agreement called for \$10,000 and 50,000 common shares upon regulatory approval, (received and paid/issued) a further \$20,000 and 50,000 common shares within 12 months (paid/issued), a further \$30,000 and 50,000 common shares within 24 months (paid/issued) and \$40,000 and 50,000 common shares (paid/issued) within 36 months of approval.

To maintain the option in good standing and earn 100% interest in the property cumulative expenditures of \$100,000 had to be incurred within 12 months, \$250,000 within 24 months and \$450,000 within 36 months. During March 2012 the date to accumulate the required expenditures of \$250,000 and \$450,000 was extended to 72 and 84 months respectively, from the effective date. The optionor is entitled to royalty of 2% NSR. 1% of the NSR may be purchased for \$1,000,000 at any time. \$973,166 has been expended on this project.

(v) Rug Claims

On May 12, 2010 an agreement entered into to acquire a 100% interest in the Rug Claims for payments of \$25,000 and 25,000 shares within 5 days of acceptance by the TSX Venture Exchange, (received, paid/issued); a further \$30,000 and 30,000 shares within 12 months; a further \$45,000 and 45,000 shares (paid/issued) within 24 months and \$100,000 and 100,000 shares within 36 months of the

effective date of the agreement. The Company must incur cumulative expenditures of \$100,000 within 12 months, \$250,000 within 24 months and \$450,000 within 36 months from the effective date of the agreement. Expenditures for these claims are grouped with the Gossan claims. All obligations have been completed.

(vi) Gossan

On April 10, 2010 an agreement entered into to acquire a 100% interest in the Gossan Gold Property. To acquire the property payments of \$20,000 and issuance of 150,000 shares within 5 days of acceptance by the TSX Venture Exchange (paid/issued) had to be made. The optionor is entitled to royalty of 2% NSR. 1% of the NSR may be purchased for \$1,000,000 at any time. \$4,824,850 has been expended on this and the Rug properties.

(vii) Herblet Lake

On March 15, 2007 an option agreement was entered into for the Herblet Lake property in Manitoba. The agreement called for an initial payment of \$10,000 and 25,000 common shares on receipt of regulatory approval (received and paid/issued), a further \$10,000 and 25,000 common shares within 12 months (paid and issued), another \$10,000 and 25,000 common shares within 24 months, (paid and issued) and a further \$20,000 and 25,000 common shares within 36 months from the effective date of the agreement (paid and issued). In order to maintain the working option in good standing cumulative expenditure of \$50,000 within 12 months, \$100,000 within 24 months and \$250,000 within 36 months from the effective date of the agreement had to be incurred. The Company had the right to earn 100% interest in the property, which it has, subject to a 2.5% NSR, 50% of the NSR can be purchased for \$1,250,000. To date a net of \$1,625,935 has been expended on this property.

(viii) Pine Bay

On July 8, 2009 an agreement was entered into to acquire a 100% interest in the Pine Bay Claims and a 90% interest in the Sour Claims. To acquire the claims payments of \$20,000 (paid) on execution of the agreement, \$180,000 and 50,000 shares within 5 days of acceptance by the TSX Venture Exchange (paid/issued); a further \$100,000 and 50,000 shares within 12 months, (paid/issued); a further \$50,000 and 75,000 shares within 24 months (paid/issued); a further \$25,000 and 125,000 (paid/issued) within 30 months and 125,000 shares within 36 months of the effective date of the agreement had to be made. To date \$2,622,564 had been expended on this property.

(ix) Island Lake

On July 31, 2009 the Island Lake claims were optioned. In order to acquire an 80% interest in the claims, payments \$20,000 and issuance of 50,000 shares within 5 days of acceptance by the TSX Venture Exchange (paid and issued), a further \$50,000 and 75,000 shares within 12 months, (paid/issued), a further \$150,000 and 100,000 shares within 24 months and a further \$180,000 and 175,000 shares within 36 months, of the effective date of the agreement had to be made. Cumulative expenditure of \$100,000 within 12 months, \$1,000,000 within 24 months and \$1,900,000 within 36 months had to be made. The dates to make the payment and to incur the expenditures on the claim have been deferred, permit to drill the property has yet to be received. The property is subject to a 2% Net Smelter Return Royalty, one half of which may be purchased for \$1,000,000 subject to further TSX Venture Exchange review and acceptance.

(x) Flin Flon Claims

During fiscal 2012 the Company entered into an option agreement to acquire 100% interest in the Flin Flon Area Claims. The agreement calls for payments of \$250,000 and issuance of 250,000 shares within 36 months from the effective date, of which \$25,000 has been paid and 25,000 shares with a value of \$7,500 issued. The property is subject to a 2% Net Smelter Return Royalty of which Callinex may purchase half for \$1,000,000. To date the Company has expended \$88,454 on this property.

(xi) Pulver Lake

During the fiscal 2011 these claims were staked in the Snow Lake area of Manitoba. To date \$17,650 has been expended on this property.

(xii) Neuron

On May 31, 2013 the Company acquired additional claims in Manitoba. These claims are expected to be included in the Company's 2014 program.

During the Company's fiscal years ended September 30, 2013, management decided that it would no longer pursue the following properties and they were written off to operations and those that were options were returned to the optionor. The properties written off were Troitsa, Tramping Lake, Cameco and Elliot Lake.

4. CRITICAL ACCOUNTING POLICIES

The condensed financial statements for the period ended December 31, 2013 are prepared in accordance with IFRS as stated in Note 3 to the financial statements. The accounting policies in Note 3 have been applied in preparing the financial statements for the period ended December 31, 2013.

There are two policies that, due to the nature of the mining business, are significant to the financial results of the Company. These policies relate to the capitalization of mineral exploration expenditures and the use of estimates:

Under IFRS, the Company defers all costs relating to the acquisition and exploration of its exploration & evaluation assets. Any revenues received from such properties are credited against the costs of the property. When commercial production commences on any of the Company's properties, any previously capitalized costs would be charged to operations over the life of the property using a unit-of-production method. The Company regularly reviews deferred exploration costs to assess their recoverability and when the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value.

The existence of uncertainties during the exploration stage and the lack of definitive empirical evidence with respect to the feasibility of successful commercial development of any exploration property do create measurement uncertainty concerning the calculation of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

Please refer to Note 4 of the Company's condensed financial statements for a listing of accounting policies adopted during the period and other accounting standards that have been issued but have future effective dates and that are either not applicable or not expected to have a significant impact on the Company's financial statements.

5. LIQUIDITY AND CAPITAL RESOURCES

During the three months ended December 31, 2013 the following shares were issued for cash proceeds:

- On October 23, 2013 the Company issued 1,561,499 at \$0.35 per unit pursuant to a no-brokered private placement for gross proceeds of \$546,525.
- On November 22, 2013 the Company issued 526,500 units at \$0.38 per unit pursuant to a non-brokered private placement for gross proceeds of \$200,070. Each unit is comprised of one common share and one-half share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share for a period of two years at the price of \$0.38 per share in the first year and \$0.45 per share in the second year.

During the period ended December 31, 2012, the Company entered into the following capital stock transactions:

- On October 30, 2012 the Company issued 1,725,000 common shares at \$0.40 per share pursuant to a non-brokered private placement for gross proceeds of \$690,000.

6. SECURITIES AS AT THE END OF THE REPORTING PERIOD

At December 31, 2013 and at the report date there were 31,875,351 common shares of the Company issued and outstanding, respectively. Additionally, there are 2,395,000 stock options and 10,128,444 warrants outstanding.

7. DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The Company occupies leased office space at Suite 1110 – 555 West Hastings Street in Vancouver, B.C. The office lease will expire November 30, 2015. For the period ended December 31, 2013 rental expenses, including taxes and operating expenses were \$16,357.

8. CORPORATE GOVERNANCE

The Company has evaluated its internal controls over financial reporting and believes that as of the report date, its systems of internal controls over financial reporting are sufficiently designed and maintained to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Certain weaknesses in its systems are apparent. These weaknesses arise primarily from the limited number of personnel employed in the accounting and financial reporting area, a situation that is common in smaller companies. As a consequence of this situation:

- a) It is not feasible to achieve the complete segregation of duties; and
- b) The Company does not have full competency “in House” in complex areas of financial accounting, such as taxation.

The Company believes these weaknesses are mitigated by:

- a) the nature and present levels of activities and transactions within the Company being readily transparent;
- b) the thorough review of the Company’s financial statements by senior management and the audit committee of the board of directors;
- c) by the assistance and advice rendered by the Company’s auditors; and,
- d) by the active participation of senior management in monitoring financial reporting.

Nevertheless, these mitigating factors cannot eliminate the possibility that a material misstatement will occur as a result of the aforesaid weaknesses in the Company’s internal controls over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

9. RELATED PARTY TRANSACTIONS

During the period ended December 31, 2013, J.J O’Donnell President and CEO of the Company was paid \$51,251, and Mike Muzykowski Chairman of the Board was paid \$30,000. Share-based compensation of \$39,817 was recorded in relation to stock options granted to a director.

On July 13, 2011, the Company entered into a service agreement with Callinan, whereby Callinan would provide the Company with accounting and financial services. During the period ended December 31, 2013 \$16,000 was incurred for this service.

10. FINANCIAL INSTRUMENTS

Financial instruments are those assets and liabilities that will be settled in cash either by payment by the Company or on the receipt of cash from another party. Financial instruments held by the Company include receivables and accounts payable and accrued liabilities. The Company has reviewed the estimated fair market value of these instruments and concluded that the fair value of these financial instruments approximate their carrying value due to their short term nature.

The Company’s other financial instruments, cash and cash equivalents and restricted investment, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets and liabilities and are measured at fair value.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large Canadian financial institutions in interest bearing accounts. The Company has no investments in asset-backed commercial paper. The Company's receivables consist mainly of input tax credits receivable due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 12 to the accompanying financial statements. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities are due within 30 days. As at December 31, 2013, the Company had cash and cash equivalents balance of \$2,807,726 to settle current liabilities of \$136,196. Management believes the Company has sufficient funds to meet its current liabilities as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and no interest-bearing debt liabilities. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institutions. The period to maturity of these short-term deposit certificates rarely exceeds ninety days; deposits within these parameters are considered equivalent to cash equivalents.

The Company monitors the investments in short term deposits and is satisfied with the credit ratings of its banks. As of December 31, 2013, the Company did not have any investments with maturities in excess of ninety days. The Company has no investments in asset backed commercial paper or similar investments.

b) Foreign currency risk

The Company conducts the majority of its business in Canada, and is therefore not exposed to significant foreign currency risk.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions as required, resulting in proceeds approximating carrying value of the securities.

11. OFF BALANCE SHEET ARRANGEMENTS

The Company has no significant off balance sheet arrangements.

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2013 J.J. O'Donnell President and CEO resigned from the Company. Mr. Mike Muzylowski was appointed interim President and CEO.

13. LIST OF DIRECTORS AND OFFICERS

John J O'Donnell	Director	President & CEO (Until January 20, 2014)
Mike Muzylowski	Director	Chairman/Interim President & CEO (As of January 20, 2014)
Gordon Slade	Director	--
Nico Civelli	Director	--
Michael Louie	Director	-- (as of October 23, 2013)
Tamara Edwards	--	Chief Financial Officer
Cheri Pedersen	--	Corporate Secretary