CALLINEX MINES INC.

CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

MARCH 31, 2014

CALLINEX MINES INC.
CONDENSED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)
AS AT

	March 31, 2014	September 30, 2013
ASSETS		
Current		
Cash and cash equivalents	$ 2,031,026	$ 3,042,370
Receivable	33,496	16,030
Prepaid expenses	9,094	27,336
Total current assets	2,073,616	3,085,736
Exploration and evaluation assets (Note 5)	33,645,723	32,834,973
Long-term deposits	20,000	21,248
Equipment (Note 6)	88,033	90,977
Total assets	$ 35,827,372	$ 36,032,934
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 246,203	$ 100,305
Deferred tax liability	6,257,000	6,293,000
	6,503,203	6,393,305
Capital stock (Note 7)	42,782,405	42,052,891
Subscriptions received in advance (Note 7)	-	383,950
Equity reserve (Note 7)	4,070,647	4,018,062
Accumulated deficit	(17,528,883)	(16,815,274)
Total shareholders' equity	29,324,169	29,639,629
Total liabilities and shareholders' equity	$ 35,827,372	$ 36,032,934

Nature and continuance of operations (Note 1)
Commitment (Note 13)
Subsequent event (Note 14)

Approved on behalf of the Board of Directors on May 28, 2014.

"Michael Louie"
Director

"Arthur G Slade"
Director

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

CALLINEX MINES INC.
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE AND SIX MONTHS ENDED MARCH 31

	Three Months		Six Months	
	2014	2013	2014	2013
Audit and accounting (Note 8)	$ 21,900	$ 38,530	$ 52,900	$ 67,030
Consulting fees	7,134	(23,037)	12,734	56,346
Equipment depreciation (Note 6)	6,900	8,517	13,524	17,035
Insurance expense	6,425	7,656	13,595	13,475
Legal fees	21,105	17,235	48,700	43,351
Listing and sustaining fees	8,579	3,192	13,786	13,317
Property expenses	32,907	39,723	34,584	78,699
Office and administration	22,334	26,843	38,858	40,754
Office rent	16,355	21,951	32,712	37,762
Salaries (Note 8)	153,275	182,723	331,119	333,490
Shareholder relations and news releases	59,473	14,804	114,162	68,789
Share-based compensation (Note 7)	2,730	-	42,547	-
Transfer agent	1,461	2,392	4,089	5,016
Travel	9,016	3,811	11,150	14,205
	(369,594)	(344,340)	(764,460)	(789,269)
Finance income	7,916	9,566	14,851	25,485
Dividend income	-	-	-	1,400
Loss before income tax	(361,678)	(334,774)	(749,609)	(762,384)
Deferred income tax recovery/expense	8,000	(46,823)	36,000	66,093
Loss for the period	$ (353,678)	$ (381,597)	$ (713,609)	$ (696,291)
Change in fair value of restricted investment	$ -	$ 7,700	$ -	$ 8,400
Comprehensive loss for the period	$ (353,678)	$ (373,897)	$ (713,609)	$ (687,891)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.03)
Weighted average number of common shares outstanding	31,880,515	20,287,352	31,527,251	19,993,533

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

CALLINEX MINES INC.
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)
(Unaudited)
FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013

	Capital Stock						
	Number of Common Shares	**Amount**	**Subscription Received in Advance**	**Equity Reserve (Note 7)**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total**
Balance, September 30, 2012	**18,562,352**	**$ 40,053,541**	**$ 690,000**	**$ 3,742,064**	**$ (89,600)**	**$(14,028,395)**	**$ 30,367,610**
Private placement – flow through shares	1,725,000	690,000	(690,000)	-	-	-	-
Fair value adjustment of securities	-	-	-	-	8,400	-	8,400
Loss for the period	-	-	-	-	-	(696,291)	(696,291)
Balance, March 31, 2013	**20,287,352**	**$ 40,743,541**	**$ -**	**$ 3,742,064**	**$ (81,200)**	**$(14,724,686)**	**$ 29,679,719**
Balance, September 30, 2013	**29,787,352**	**$ 42,052,891**	**$ 383,950**	**$ 4,018,062**	**$ -**	**$(16,815,274)**	**$29,639,629**
Private placement	2,087,999	746,595	(383,950)	-	-	-	362,645
Shares issue costs – cash (net of taxes)	-	(29,556)	-	-	-	-	(29,556)
Share issue costs – agent warrants	-	(10,038)	-	10,038	-	-	-
Share-based compensation	-	-	-	42,547	-	-	42,547
Exercise of warrants	85,750	22,513	-	-	-	-	22,513
Loss for the period	-	-	-	-	-	(713,609)	(713,609)
Balance, March 31, 2014	**31,961,101**	**$ 42,782,405**	**$ -**	**$ 4,070,647**	**$ -**	**$(17,528,883)**	**$ 29,324,169**

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

CALLINEX MINES INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE SIX MONTHS ENDED MARCH 31

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (713,609)	$ (696,291)
Items not affecting cash:		
Equipment depreciation	13,524	17,035
Share-based compensation	42,547	-
Deferred income tax (recovery)	(36,000)	(66,093)
Changes in non-cash working capital:		
(Increase)/decrease in receivable	(17,466)	10,631
Decrease in prepaid expenses	18,242	13,040
Decrease in long-term deposits	1,248	50,000
Increase/(decrease) in accounts payable and accrued liabilities	13,029	(74,014)
Net cash used in operating activities	(678,485)	(745,692)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(677,881)	(1,497,259)
Equipment purchases	(10,580)	(7,490)
Net cash used in investing activities	(688,461)	(1,504,749)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares, net of share issuance costs	355,602	-
Net cash provided by financing activities	355,602	-
Decrease in cash and cash equivalents for the period	(1,011,344)	(2,250,441)
Cash and cash equivalents, beginning of period	3,042,370	5,063,905
Cash and cash equivalents, end of period	$ 2,031,026	$ 2,813,464
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -
Cash and cash equivalents consist of:		
Cash	$ (34,641)	$ (10,540)
Cash equivalents	$ 2,065,667	$ 2,824,004

Supplemental information with respect to cash flow (Note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Callinex Mines Ltd. ("Callinex" or the "Company") was incorporated on April 21, 2011 under the British Columbia Business Corporations Act for the purpose of receiving certain cash, equipment, common shares, and exploration and evaluation assets from Callinan Royalties Corporation (formerly Callinan Mines Limited) ("Callinan") in exchange for common shares of the Company by way of a plan of arrangement as approved by the shareholders of Callinan on June 7, 2011. The effective date of transaction with Callinan was closed on July 13, 2011.

The Company's head office and registered and records office address is 1110 – 555 West Hastings Street, Vancouver, British Columbia, Canada V6B 4N4.

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

These financial statements are authorized for issue by the Board of Directors on May 28, 2014.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

2. BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim financial statements, including IAS 34, Interim Financial Reporting, and using the same accounting policies and methods of computation as the Company's most recent annual financial statements. The condensed financial statements do not include all the information required for full annual financial statements. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2013.

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

The accounting policies followed by the Company are as set out in the audited financial statements for the year ended September 30, 2013, and have been consistently followed in the preparation of these condensed financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These condensed interim financial statements include estimates that, by nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended September 30, 2013.

Estimates and assumptions are continually evaluated and are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. This IFRS shall apply for annual periods beginning after January 1, 2015.

Amendments to IAS 32, *Financial Instruments: Presentation,* are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities.

As of October 1, 2013, the Company adopted the following accounting policies.

IFRS 7 was amended to introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.

IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid for, or transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

Activity for the period ended March 31, 2014

	Sneath Lake	Coles/Troitsa	Fox	Moak Lake/ Norris Lake	Gossan/Rug	Herblet	Pine Bay	Neuron	Other	Total
Acquisition	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,500	$ -	$ 10,500
Geochemical	-	-	-	-	480	-	-	-	-	480
Geophysical	-	-	-	-	25,250	-	-	383,425	-	408,675
Linecutting	-	-	-	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-	245,861	-	245,861
Consulting	-	-	-	-	680	-	-	1,388	-	2,068
Travel	-	-	-	-	13,076	-	-	5,422	-	18,498
Field & Camp	-	-	-	-	98	-	-	128,221	-	128,319
Vehicle	-	-	-	-	74	-	-	-	-	74
Prospecting	-	-	-	-	-	-	-	12,561	-	12,561
Miscellaneous	-	-	-	2,702	7,874	-	-	26,616	1,231	38,423
Recovery***	-	-	-	(15,736)	(21,138)	(11,667)	-	(6,168)	-	(54,709)
Total	-	-	-	(13,034)	26,394	(11,667)	-	807,826	1,231	810,750
Write-off	-	-	-	-	-	-	-	-	-	-
Opening Balance	948,044	17,299,195	4,174,896	970,464	4,807,010	1,637,602	2,622,564	186,996	188,202	32,834,973
Balance at March 31, 2014	$ 948,044	$ 17,299,195	$ 4,174,896	$ 957,430	$ 4,833,404	$ 1,625,935	$ 2,622,564	$ 994,822	$ 189,433	$ 33,645,723

***From the Mineral Exploration Assistance Program (MEAP) which provides assistance for non-fuel exploration in Manitoba.

(Expressed in Canadian dollars)

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

Activity for the year ended September 30, 2013

	Sneath Lake	Coles/Troitsa	Fox	Moak Lake/ Norris Lake	Gossan/Rug	Herblet	Pine Bay	Flin Flon	Other	Total
Acquisition	$ -	$ 5,096	$ -	$ 73,261	$ 332,143	$ -	$ 68,520	$ 35,700	$ -	$ 514,720
Geochemical	-	-	-	-	14,456	-	-	-	-	14,456
Geophysical	22,600	50,000	-	-	-	-	-	-	166,669	239,269
Linecutting	5,300	-	-	-	-	-	-	-	-	5,300
Drilling	648,468	20,306	-	224,497	419,821	-	-	20,202	-	1,333,294
Consulting	16,649	5,638	-	2,500	4,300	-	-	-	-	29,087
Travel	29,259	1,221	-	29,831	42,406	-	-	-	-	102,717
Field & Camp	-	-	-	234,059	1,744	-	-	-	-	235,803
Vehicle	-	-	-	4,838	8,153	-	-	-	-	12,991
Prospecting	-	1,210	-	-	-	-	-	-	-	1,210
Miscellaneous	-	-	-	5,035	7,901	-	5,275	52	20,401	38,664
Recovery***	-	(305,109)	-	-	-	-	-	-	-	(305,109)
Total for the year	722,276	(221,638)	-	574,021	830,924	-	73,795	55,954	187,070	2,222,402
Write-off	-	(983,501)	-	-	-	-	-	-	(139,055)	(1,122,556)
Opening Balance	225,768	18,504,334	4,174,896	396,443	3,976,086	1,637,602	2,548,769	32,500	238,729	31,735,127
Balance at September 30, 2013	$ 948,044	$ 17,299,195	$ 4,174,896	$ 970,464	$ 4,807,010	$ 1,637,602	$ 2,622,564	$ 88,454	$ 286,744	$ 32,834,973

***From the British Columbia Mining Exploration Tax Credit

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

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. 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 property interests and, to the best of its knowledge, expects title to all of its interests to be in good standing.

a) Sneath Lake

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

b) Coles Creek/Troitsa

On August 1, 2005 Callinan entered into an agreement with Mike Muzylowski, President of Callinan, under which Callinan was granted the option to acquire a 100% interest in certain claims in the Omenica Mining Division of British Columbia. Under the terms of the agreement, Mr. Muzylowski, was paid a total of $270,000 for the property. If the claims are placed into production, Mr. Muzylowski will be entitled to a 5% royalty on net smelter returns, of which 2.5% can be repurchased for $1,500,000. In order to maintain the option in good standing and to earn the 100% interest in the property, Callinan had to incur cumulative expenditures of $800,000 within 48 months from the effective date of the agreement. All obligations have been met to keep the option in good standing.

On September 24, 2010 the holdings in British Columbia was increased by entering into an agreement to acquire the Troitsa claim. The agreement called for payment of $40,000 (paid) and issuance of 40,000 common shares (issued) within 5 days of acceptance by the TSX Venture Exchange, and a further $280,000 and 360,000 shares within 48 months from the effective date of the agreement. During the year ended September 30, 2012 the parties agreed to defer the payment due at September 24, 2012 to a further date while talks progressed on the future plans for this property. On April 25, 2013 this property was returned to the optionor and the capitalized costs of $983,501 were written off to operations.

c) Fox River

On March 15, 2003 the option to purchase the Fox River Property was acquired. Callinex has a 70% interest in this property and can earn an additional 10% by producing a feasibility study. On March 15, 2006 half of the interest in this property was assigned to Bell Resources Corporation ("Bell"). Bell's interest is based on a dilution clause contained in the agreement of March 15, 2006.

d) Moak and Norris Lake

On May 14, 2007 an option agreement was entered into whereby, payments of $100,000 and issuance of 200,000 shares within 36 months after regulatory approval was required. In March 2012, the agreement was amended to increase the time period to accumulate the required expenditures. As per the amended agreement, cumulative expenditures of $250,000 and $450,000 are required to be made on or before 72 months and 84 months respectively, from the date of the agreement. All expenditure obligations have been met.

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

e) Gossan/Rug Claims

On April 10, 2010, 100% interest in the Gossan property was acquired for payment of $20,000 and issuance of 150,000 shares.

On May 12, 2010, an agreement to acquire a 100% interest in the Rug Claims for payment of $200,000 and issuance of 200,000 shares within 36 months of the effective date was completed. Cumulative expenditures of $100,000 within 12 months, $250,000 within 24 months and $450,000 within 36 months had to be made to keep the option in good standing. During the year ended September 30, 2013, Callinex and the optionor agreed on the final option requirement to be in Callinex common shares, and accordingly, the Company issued 430,000 common shares with a value of $47,300 for final option payment. All obligations have been met to keep this option in good standing.

f) Herblet Lake

On March 15, 2007 an option agreement for the above property was entered into. The agreement required payment of $50,000 and issuance of 100,000 shares over 36 months after regulatory approval. All obligations have been met.

g) 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 $375,000 and issuance of 425,000 common shares of the company within 36 months of the effective date is required. All obligations have been met to keep the claims in good standing.

h) Flin Flon Claims

During fiscal 2012 the Company entered into an option agreement to acquire a 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 had been paid and 25,000 shares with a value of $7,500 were issued. A further option payment of $30,000 and 30,000 shares with a value of $5,700 were issued during 2013. The property is subject to a 2% Net Smelter Return Royalty of which Callinex may purchase half for $1,000,000.

Other claims include the following:

i) Island Lake

On July 31, 2009 Callinan optioned the Island Lake claims. In order to acquire an 80% interest in the claims, payment of $400,000 and issuance of 400,000 shares within 36 months of the effective date of the agreement was required. Cumulative expenditure of $100,000 within 12 months, $1,000,000 within 24 months and $1,900,000 within 36 months were also required to keep the option in good standing. This project has been put on hold while negotiations proceed with the First Nations.

j) Pulver Lake

During 2011 the claims at Pulver Lake in Snow Lake, Manitoba were staked.

(Expressed in Canadian dollars)

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

k) Neuron

The Company acquired additional claims in Manitoba on May 31, 2013. During January 2014 the Company announced that it had acquired an additional 26,800 hectares, thus increasing the size of this property. These claims are currently be explored by the Company.

During the year ended September 30, 2013, management decided that it would no longer pursue certain properties and they were written off to operations and those that were options were returned to the optionor. The properties written off were: Tramping Lake, Elloit Lake, Cameco and Troitsa.

6. EQUIPMENT

	Machinery & Equipment	Office Furniture	Computer Equipment	Leasehold Improvements	Total
Cost at September 30, 2012	$ 167,686	$ 78,763	$ 113,084	$ 43,490	$ 403,023
Additions	-	-	11,395	-	$ 11,395
Cost at September 30, 2013	$ 167,686	$ 78,763	$ 124,479	$ 43,490	$ 414,418
Additions	-	4,271	6,309	-	10,580
Cost at March 31, 2014	$ 167,686	$ 83,034	$ 130,788	$ 43,490	$ 424,998
Accumulated depreciation at September 30, 2012	$ 138,895	$ 58,521	$ 85,846	$ 6,523	$ 289,785
Depreciation	8,637	4,048	9,881	11,090	33,656
Accumulated depreciation at September 30, 2013	$ 147,532	$ 62,569	$ 95,727	$ 17,613	$ 323,441
Depreciation	3,023	1,833	4,786	3,882	13,524
Accumulated depreciation at March 31, 2014	$ 150,555	$ 64,402	$ 100,513	$ 21,495	$ 336,965
Net book value at September 30, 2013	$ 20,154	$ 16,194	$ 28,752	$ 25,877	$ 90,977
Net book value at March 31, 2014	$ 17,131	$ 18,632	$ 30,275	$ 21,995	$ 88,033

7. CAPITAL STOCK

Authorized:

Unlimited common shares with no par value

During the period ended March 31, 2014, the Company entered into the following capital stock transactions:

- The Company issued 1,561,499 units at a price of $0.35 per unit for gross proceeds of $546,525 through a non-brokered private placement. $383,950 of these proceeds was received by the Company during the year ended September 30, 2013. Each unit comprises one common share of the Company 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 $0.35 per share in the first year and $0.40 per share in the second year. Finders' fee of $15,556 and 44,444 agents' warrants were paid and issued in relation to this placement. Each whole agent warrant is exercisable to purchase one common share for a period of two years at the price of $0.35 per share for the first year and $0.40 per share for the second year.

- The Company issued 526,500 units at a price of $0.38 per unit for gross proceeds of $200,070 through a non-brokered private placement. 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.

- 85,750 share purchase warrants were exercised for net proceeds of $22,513.

During the period ended March 31, 2013, the Company entered into the following capital stock transactions:

- The Company issued 1,725,000 common shares at a price of $0.40 per share for gross proceeds of $690,000 through a non-brokered private placement. These proceeds were received by the Company during the year ended September 30, 2012.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

During the period ended March 31, 2014, the Company granted 150,000 stock options to a director of the Company. These common stock options are exercisable at $0.37 per share on or before October 28, 2018. Share-based compensation expense of $39,817 (2012 - $Nil) has been recorded for the period ended March 31, 2014 under the Black-scholes pricing model in relation to the options vested. Additionally 100,000 stock options were granted to an IR company. The stock options are exercisable at a price of $0.47 for a period of 12 months unless the agreement is terminated earlier. The option shall vest as to 25% after three months from grant and a further 25% every three months thereafter.

(Expressed in Canadian dollars)

7. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

The following tables summarize the Company's outstanding stock options:

	Number of Shares	Weighted Average Exercise Price
Options outstanding, September 30, 2012	1,546,659	$ 0.77
Granted	1,410,000	0.30
Expired	(148,883)	0.44
Forfeited	(562,776)	0.76
Options outstanding, September 30, 2013	2,245,000	$ 0.50
Granted	250,000	0.41
Forfeited	(140,000)	0.90
Options outstanding March 31, 2014	2,355,000	$ 0.46
Options exercisable March 31, 2014	2,255,000	$ 0.46

Exercise price	Options outstanding at March 31, 2014	Options exercisable at March 31, 2014	Average Remaining Contractual Life (Years)	Expiry Date
$ 0.90	545,000	545,000	2.46	September 14, 2016
0.50	150,000	150,000	3.13	May 15, 2017
0.30	1,410,000	1,410,000	4.35	August 6, 2018
0.37	150,000	150,000	4.58	October 28, 2018
0.47	100,000	-	1.15	May 25, 2015
	2,355,000	2,255,000		

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the periods ended March 31, 2014 and March 31, 2013:

	March 31, 2014	March 31, 2013
Risk-free interest rate	2.06%	N/A
Expected life of options	3.40 years	N/A
Annualized volatility	94.88%	N/A
Dividend rate	0%	N/A
Forfeiture rate	0%	N/A
Weighted average fair value per option granted in the period	$ 0.24	N/A

(Expressed in Canadian dollars)

7. CAPITAL STOCK (cont'd…)

Warrants

The following is a summary of warrants outstanding:

	Number of warrants	Weighted Average Exercise Price
Warrants outstanding, September 30, 2012	1,232,678	$ 1.04
Expired	(480,000)	1.10
Issued	9,040,000	0.20
Warrants outstanding, September 30, 2013	9,792,678	$ 0.26
Expired	(752,678)	1.00
Issued	1,088,444	0.38
Exercised	(85,750)	0.26
Warrants outstanding, March 31, 2014	10,042,694	$ 0.22

The following is a summary of the outstanding warrants, with their respective expiry dates and exercise prices:

March 31, 2014			
Exercise Price	Number Outstanding	Remaining Life (Years)	Expiry Date
$ 0.20	8,990,000	1.32	July 25, 2015
0.375[(1)]	745,000	1.56	October 23, 2015
0.375[(1)(2)]	44,444[(2)]	1.56	October 23, 2015
0.415[(1)]	263,250	1.65	November 22, 2015
	10,042,694		

(1) Average exercise price over two years
(2) Agent warrants

The following weighted average assumptions were used for the Black-Scholes method of valuation of agents warrants granted during the periods ended March 31, 2014 and March 31, 2013:

	March 31, 2014	March 31, 2013
Risk-free interest rate	1.11%	N/A
Expected life of warrants	2 years	N/A
Annualized volatility	105.66%	N/A
Dividend rate	0%	N/A
Forfeiture rate	0%	N/A

(Expressed in Canadian dollars)

7. CAPITAL STOCK (cont'd…)

Equity Reserve

The following is a summary of changes in equity reserve:

	Funding by Callinan	Options and agent's warrants	Total
Balance at September 30, 2012	**$ 2,660,523**	**$ 1,081,541**	**$ 3,742,064**
Share-based compensation	-	275,998	275,998
Balance at September 30, 2013	**2,660,523**	**1,357,539**	**4,018,062**
Share-based compensation	-	42,547	42,547
Fair value of agent warrants issued	-	10,038	10,038
Balance at March 31, 2014	**$ 2,660,523**	**$ 1,410,124**	**$ 4,070,647**

8. RELATED PARTY DISCLOSURES

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Six Months ended March 31, 2014	2013
Salaries	$ 130,522	$ 157,184
Consulting fees	-	55,000
Share-based compensation	39,817	-
	$ 170,339	$ 212,184

8. RELATED PARTY DISCLOSURES (cont'd…)

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 March 31, 2014, a total of $32,000 was incurred for this service (2013 – $32,000). At March 31, 2013 $37,368 (September 30, 2013 - $56,472) was owed to Callinan and is included in accounts payable and accrued liabilities.

9. SEGMENTED INFORMATION

The Company's one reportable operating segment is the exploration and evaluation of exploration and evaluation assets in Canada. All of the Company's assets are located in Canada.

10. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOW

The significant non cash transactions for the period ended March 31, 2014 were:

a) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of $132,869 (September 30, 2013 - $Nil).

The significant non cash transactions for the period ended March 31, 2013 were:

(a) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of $247,420 (September 30, 2012 - $457,195).

11. 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 cash and cash equivalents, receivable, long-term deposits, and accounts payable and accrued liabilities.

The fair value of the Company's receivable and accounts payable and accrued liabilities approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's cash and cash equivalents, are recorded at fair value, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities. The carrying value of the Company's other financial instruments, receivables, long-term deposits and accounts payable and accrued liabilities, approximate their carrying value due to their short term nature, and is recorded at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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.

11. FINANCIAL INSTRUMENTS (cont'd…)

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 receivable consists 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 these financial statements. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand, and are subject to normal trade terms. As at March 31, 2014, the Company had a cash and cash equivalents balance of $2,031,026 to settle current liabilities of $246,203. Management believes the Company has sufficient funds to meets its 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 March 31, 2014, 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.

(Expressed in Canadian dollars)

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended March 31, 2014.

13. COMMITMENT

The Company entered into a lease agreement for its office premises. The lease will expire on November 30, 2015. The annual lease commitment is as follows:

2014	$65,430
2015	$71,400
2016	$12,000

14. SUBSEQUENT EVENT

Subsequent to March 31, 2014 the Company announced that subject to the terms of its current stock option plan it had granted 415,000 stock options to directors officers and employees. These options are exercisable at a price of $0.42 per share and will expire on May 7, 2019.

On May 27, 2014, the Company announced that it had appointed Max Porterfield President and Chief Executive Officer effective June 1, 2014 and that Mike Muzylowski Interim President & CEO will step down but remain as Chairman of the Board. Mr. Porterfield has also been appointed to the Board of Directors effective immediately, while Arthur G. Slade resigned from the Board of Directors on May 27, 2014.